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LION



Qualitative Growth in Domestic Businesses

TOP HYGIA Launched

In the laundry detergent market, the composition of sales accounted for by high-value-added, super-concentrated liquid laundry detergents has risen from 2% in 2009 to 20% in 2012.*¹ ² Lion newly introduced *TOP HYGIA*, a detergent of this kind, which “enhances the antibacterial properties of clothing with each washing.” These detergents have created a new category that is becoming the driving force for market expansion.

*1 2012 INTAGE Inc., SRI Survey

*2 According to Lion's classification

Refer to page 24 for additional details.



<http://www.lion.co.jp/en/press/html/2012012f.htm>

Steady Growth in the Oral Care Business

In the oral care business, Lion is strengthening its position in the market and improving profitability by further developing its *Clinica* and *Dentor Systema* brand lines, which boast sales of ¥10 billion each, as well as other higher-priced toothpastes. Percentage sales of toothpastes with retail prices of ¥500 or more per tube rose from 25% of the market in 2007 to 35% in 2012.* Sales of Lion's higher-priced *Dent Health* showed annual growth of 111% during the fiscal year.

*2012 INTAGE Inc., SRI Survey



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Quantitative Growth in Overseas Businesses

Broadening Regional Coverage

In 2012, Lion co-established PEERLESS LION CORPORATION, a joint venture in the Philippines, which entered the oral care and shampoo businesses in 2013. Lion has also begun test marketing of toothbrushes in Vietnam. Next, to further develop its overseas operations, Lion will expand the number of countries where its products are sold, focusing especially on Asia.

Expanding Production Capacity

To meet rising demand, Lion is strengthening its production and supply systems overseas. In 2012, production facilities in Malaysia for laundry detergent manufacturing were expanded. In Thailand and China, during 2013-2014, Lion is scheduled to complete and begin production at a new plant for oral care products. Going forward, Lion will make capital expenditures, principally in Asia, and aim to gain the No. 1 market share in the oral care and laundry detergents businesses in Asia.

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FTSE4Good

Lion Corporation has been included in the world's prestigious RI index, FTSE4Good Global Index.

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About This Annual Report

This annual report is intended to serve as a communications tool that helps investors and a wide range of other parties to better understand Lion Corporation and develop strong relationships with the Company. In addition to the Company's business results and strategies, the report offers a focused presentation of distinctive characteristics of the Company that might be difficult to grasp from an outside perspective. These characteristics include Lion's management philosophy, thoughts about lifestyles and environments, human resources, and relationships with a variety of stakeholders.

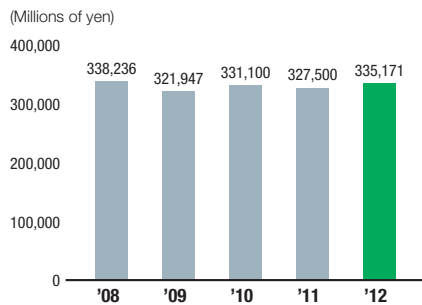
Forward-looking Statements

This annual report contains "forward-looking statements," including statements concerning the Company's outlook for fiscal 2013 and beyond; business plans and strategies and their anticipated results; and similar statements concerning anticipated future events and expectations that are not historical facts. The forward-looking statements in this report are subject to numerous external risks and uncertainties, including the effects of economic conditions, market trends, and currency rates, which could cause actual results to differ materially from those expressed in or implied by the statements herein.

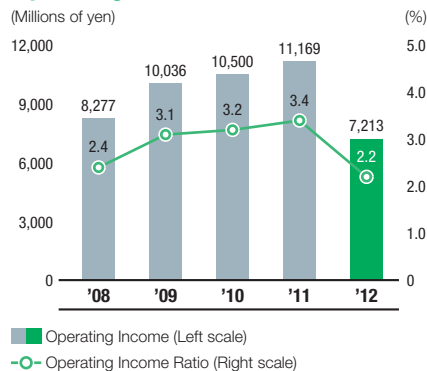
Financial Highlights

PROFITABILITY

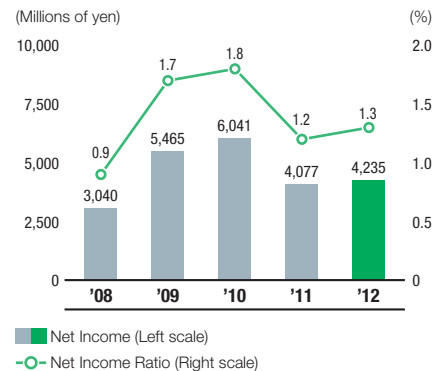
Net Sales



Operating Income/ Operating Income Ratio

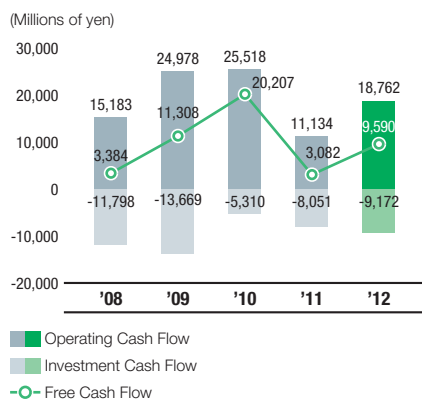


Net Income/ Net Income Ratio

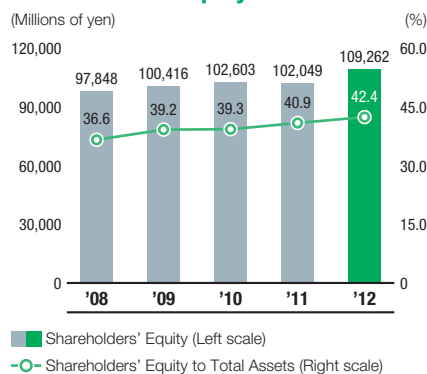


SOUNDNESS

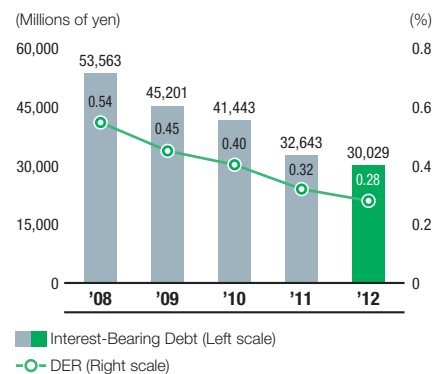
Operating Cash Flow/Investment Cash Flow/Free Cash Flow



Shareholders' Equity/ Shareholders' Equity to Total Assets

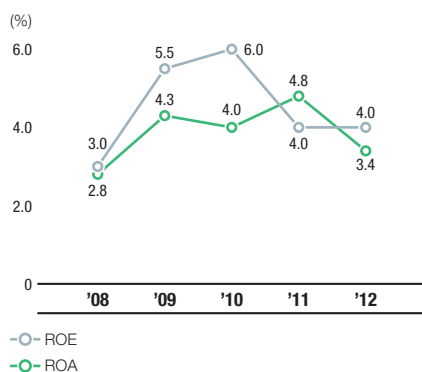


Interest-Bearing Debt/DER

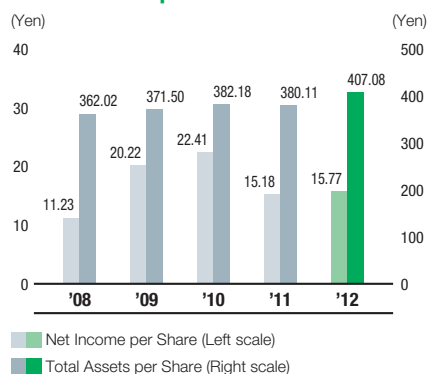


EFFICIENCY

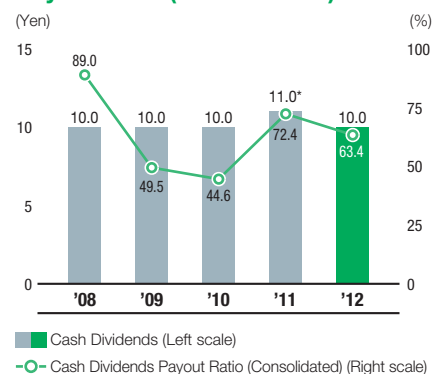
ROE/ROA



Net Income per Share/ Total Assets per Share



Cash Dividends/Cash Dividends Payout Ratio (Consolidated)



* The cash dividend of ¥11 for 2011 includes a ¥1 dividend to commemorate the Company's 120th anniversary.

Eleven-Year Financial Summary

Lion Corporation and Consolidated Subsidiaries

	2012	2011	2010
Income statement data:			
Net sales	¥335,171	¥327,500	¥331,100
Cost of sales	145,385	139,646	140,400
Gross profit	189,785	187,854	190,700
Selling, general and administrative expenses	182,572	176,684	180,200
Operating income	7,213	11,169	10,500
Income (loss) before income taxes and minority interests	8,594	7,780	10,925
Net income (loss)	4,235	4,077	6,041
Balance sheet data:			
Total liabilities and net assets	¥257,595	¥249,272	¥260,939
Property, plant and equipment, net	61,955	58,503	60,668
Total long-term liabilities	47,288	49,417	52,483
Total liabilities	143,431	144,020	155,179
Total net assets*1	114,163	105,252	105,760
Total shareholders' equity	—	—	—
Other selected data:			
Capital expenditures*2	¥10,811	¥ 8,368	¥ 7,081
R&D expenses	8,989	8,913	8,910
Depreciation and amortization*2	11,834	12,009	12,349
Number of employees	6,006	5,973	5,972
Common share data (yen):			
Net income (loss) per share – basic*3	¥ 15.77	¥ 15.18	¥ 22.41
Net income per share – diluted	15.75	15.16	22.37
Dividends paid per share	10.00	11.00	10.00
Net assets per share*4	407.08	380.11	382.18
Common stock (number of shares outstanding)	299,115,346	299,115,346	299,115,346
Financial ratios (% , times):			
As a percent of net sales:			
Gross profit	56.6%	57.4%	57.6%
Selling, general and administrative expenses	54.5	53.9	54.4
Operating income	2.2	3.4	3.2
Income (loss) before income taxes and minority interests	2.6	2.4	3.3
Net income (loss)	1.3	1.2	1.8
Return on equity	4.0	4.0	6.0
Current ratio	136.3	134.5	128.0
Debt-to-equity ratio	131.3	141.1	151.2
Inventory turnover	10.8x	11.3x	12.5x

*1 Figures under "Total net assets" are newly provided to conform to Japanese accounting regulation revisions. The fiscal 2005 figures have also been restated to reflect this change.

*2 Includes the effects of intangible assets.

*3 See Note 2 (o) of the Notes to Consolidated Financial Statements on the website.

*4 Following amendments to accounting rules in 2001, the figures for net assets per share are calculated using the number of shares issued less treasury stock.

Millions of Yen
(Except per share amounts and otherwise noted)

2009	2008	2007	2006	2005	2004	2003	2002
¥321,947	¥338,236	¥341,717	¥330,380	¥331,798	¥309,514	¥308,545	¥308,572
136,619	157,523	159,200	165,570	163,153	149,150	148,971	153,780
185,327	180,712	182,517	164,810	168,644	160,363	159,574	154,792
175,290	172,435	173,611	164,467	162,577	154,341	149,708	146,393
10,036	8,277	8,905	343	6,066	6,021	9,865	8,398
9,694	6,088	9,564	13,020	8,737	(5,017)	13,985	10,477
5,465	3,040	5,423	5,540	5,473	(4,723)	10,946	5,847
¥256,220	¥267,438	¥279,147	¥246,327	¥249,303	¥235,405	¥249,199	¥250,210
62,846	63,473	64,345	65,606	68,570	68,641	69,262	73,225
58,688	65,758	75,522	42,818	36,008	35,955	32,190	43,389
152,595	166,864	171,607	141,193	137,411	132,167	135,654	141,079
103,624	100,574	107,540	105,133	111,892	—	—	—
—	—	—	—	109,103	101,021	112,105	107,871
¥ 7,969	¥11,717	¥39,282	¥10,149	¥11,794	¥23,266	¥7,290	¥6,697
9,057	8,522	8,745	7,922	8,506	7,844	7,835	8,030
12,425	12,444	10,590	9,634	9,754	14,352	7,853	8,698
5,750	5,774	5,761	5,771	6,024	5,721	5,594	5,483
¥ 20.22	¥ 11.23	¥ 20.06	¥ 19.60	¥ 19.10	¥ (16.66)	¥ 36.81	¥ 18.91
20.19	11.22	20.02	19.52	19.05	—	36.75	—
10.00	10.00	10.00	10.00	9.00	8.00	8.00	8.00
371.50	362.02	382.80	376.76	384.60	356.90	385.83	358.26
299,115,346	299,115,346	299,115,346	299,115,346	313,515,346	313,515,346	313,515,346	313,515,346
57.6%	53.4%	53.4%	49.9%	50.8%	51.8%	51.7%	50.2%
54.4	51.0	50.8	49.8	49.0	49.8	48.5	47.5
3.1	2.4	2.6	0.1	1.8	2.0	3.2	2.7
3.0	1.8	2.8	3.9	2.6	(1.6)	4.5	3.4
1.7	0.9	1.6	1.7	1.7	(1.5)	3.5	1.9
5.5	3.0	5.3	5.3	5.2	(4.4)	10.0	5.4
123.8	120.7	132.2	125.0	116.1	117.5	134.3	138.6
152.0	170.5	165.7	138.7	125.9	130.8	121.0	130.8
12.5x	12.5x	12.6x	12.3x	12.7x	13.1x	14.6x	14.5x

Our Brands

Oral care:

Toothpastes, Toothbrushes, Mouthwashes



Beauty care:

Shampoos, Liquid hand soaps, Antiperspirants



Fabric care:

Laundry detergents, Bleach, Fabric softeners



Living care:

Dishwashing detergents, Household cleaners, Cooking-aid products



Pharmaceutical:

Analgesics, Eyedrops, Tonics, Insecticides



Other:

Functional food products, Gift products, Pet supplies



72.9%

Consumer Products Business

Net Sales **¥244.2** billion

We offer a wide range of products and information in Japan, including products such as toothpaste, laundry detergents, and OTC drugs that support “total care, from prevention to treatment and comfort.”

Thailand



Malaysia



Singapore



Indonesia



South Korea



China



Taiwan



Hong Kong



16.7%

Overseas Business

Net Sales **¥56.0** billion

The Overseas Business engages mainly in the manufacture and sale of commodities by affiliated overseas businesses.

Palm fatty acid ester-based insulating oil



Industrial cleaners



Electro-conductive carbon black



9.0%

Industrial Products Business

Net Sales **¥30.1** billion

The Industrial Products Business comprises Lion's Chemical Products Business, which handles surfactant and electro-conductive carbon black products, and detergents for institutional-use businesses, which supplies a range of cleaning preparations and hand soaps for use in hotels, restaurants, and other industries.

1.4%

Other

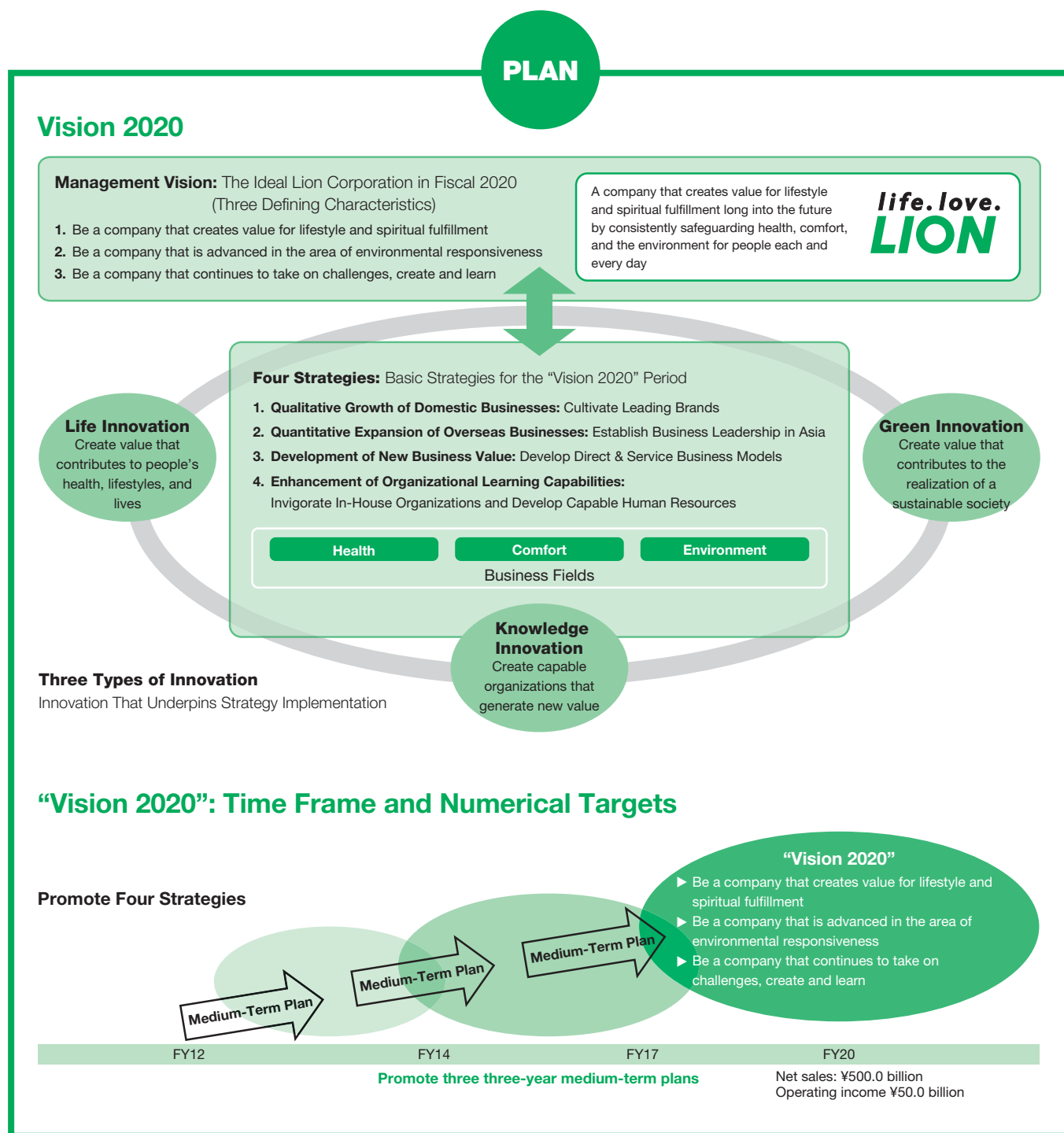
Net Sales **¥4.6** billion

Lion subsidiaries located in Japan primarily undertake operations of each Lion Group business. The main products and services are construction contractor business, real estate management, distribution/storage, and temporary staffing services.

Notes: 1 The percentage compositions were calculated after excluding internal sales within segments and between segments. 2 Sales of business segments exclude internal sales within and among segments.

Management Strategy

The Lion Group issued its New Management Vision “Vision 2020,” which sets objectives for the year 2020. In 2012, the Group began to move forward with the implementation of its first three-year medium-term management plan to attain the objectives of “Vision 2020.”



DO

Summary of the Company's Operations in FY2012

Qualitative Growth of Domestic Businesses



- Achieved sales expansion by releasing new products in growing markets
“Market creation-type products” expanded the markets in which the Company operates
- Steadily cultivated high-value-added products



- Deterioration of profitability due to the change in product composition, an increasing proportion of low- or economy-priced products in lineup

Quantitative Expansion of Overseas Businesses



- Double-digit growth in sales and income Sales growth rate: 10% year on year

Development of New Business Value



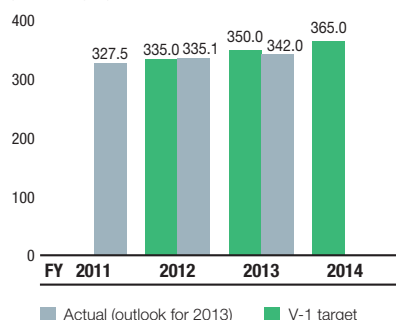
- Scale of direct-to-consumer business grew to ¥10 billion Sales growth rate: 58% year on year

Targets

Performance Targets of the “V-1 Plan”

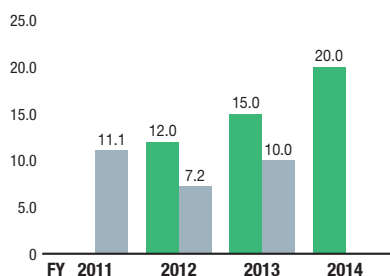
Consolidated Net Sales

(Billions of yen)



Consolidated Operating Income

(Billions of yen)



- As regards the performance targets under the V-1 Plan, issues have arisen in domestic business activities that have resulted in a delay in reaching Lion's targets.
- However, steady progress has been reported in implementing the corporate strategies under the medium-term management plan.
- Going forward, the Lion Group will concentrate on attaining performance targets for 2013 and addressing the urgent task of putting domestic business activities back on track.
- We will issue further information on the medium-term management plan.

Message from the Management



Sadayoshi Fujishige

Representative Director
and Chairman

Itsuo Hama

Representative Director
and President

**We are moving
forward
steadily to attain the
goals of our New
Management Vision
“Vision 2020.”**

Lion has issued its “Vision 2020” management plan under which it is striving to “be a company that creates value for lifestyle and spiritual fulfillment,” “be a company that is advanced in the area of environmental responsiveness,” and “be a company that continues to take on challenges, create and learn.” The financial targets we envision for attainment by 2020 are annual net sales of ¥500.0 billion and operating income of ¥50.0 billion. To reach these objectives of “Vision 2020,” we will implement a series of three three-year plans, the first of which, the “V-1 Plan (Vision 2020, Part 1),” we commenced in 2012.

We met the net sales target for the first year of this V-1 Plan, which was ¥335 billion, but, regrettably, operating income amounted to ¥7.2 billion, which was below the target.

Nevertheless, we made steady progress in implementing the four strategies under “Vision 2020.” These are “qualitative growth of domestic businesses,” “quantitative expansion of overseas businesses,” “development of new business value,” and “enhancement of organizational learning capabilities.” We feel strongly that we are heading in the proper direction.

During 2013, we are devoting our fullest energies to reaching our targets for performance in fiscal 2013 and to surmounting our biggest issue, which is to attain recovery in profitability in our domestic business operations. Reaching our fiscal 2013 targets will be an important milestone on the way to attaining the management objectives we have set under “Vision 2020.”

Along with pursuing these activities aggressively, as an environmentally responsive company, we are also engaging in CSR activities and devoting efforts to structuring an appropriate and transparent corporate governance system.

We will continue to respond to the expectations of you, our shareholders, and are grateful for your continued support and encouragement.

April 2013

Interview with the President



Representative Director and President

Itsuo Hama

In view of the deterioration in performance in fiscal 2012, Lion placed priority on improving the quality of its earnings in Japan and accelerated the growth of its overseas operations and direct-to-consumer business.

Q : What is your appraisal of Lion's performance in fiscal 2012, ended December 31, 2012?

A : During fiscal 2012, as the Japanese economy continued to stagnate, consumer spending showed no signs of an upward trend. The level of demand in Lion's principal markets for daily necessities and over-the-counter (OTC) pharmaceuticals was generally about the same as in the previous fiscal year.

Amid this business environment, we adopted our New Management Vision "Vision 2020" and implemented four strategies to attain its objectives as we focused on attaining the goals of the initial year of our first three-year "V-1 Plan (fiscal 2012–fiscal 2014)."

As a consequence, although we attained our target for net sales, regrettably, during the period, we were obliged to make a downward adjustment in our projections for operating income, and, thus, operating income fell below the previous fiscal year.

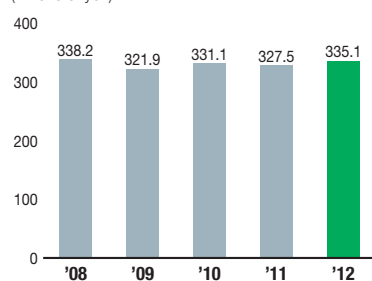
One of our four strategies under "Vision 2020" is "qualitative growth of domestic businesses." To implement this

strategy in our Consumer Products Business, we reorganized our sales structure and worked to nurture high-value-added products with the aim of strengthening profitability in the medium-to-long term.

I think we were able to achieve the desired results in our high-value-added product groups, mainly the new products that we launched. On the other hand, our performance was influenced by increased competition in existing and general products, principally in our mainstay toothpaste, laundry detergents, fabric softeners, and certain other businesses. Therefore, we experienced an overall deterioration in our product mix, which led to an increase in our cost of goods sold ratio and a rise in our marketing and sales promotion expenditures. Unseasonable weather also adversely influenced results for the fiscal year, bringing weakness in performance of our antiperspirant, insecticide, and certain other businesses. In addition, conditions in the OTC pharmaceutical market were stagnant. All of these factors together with increased competition resulted in a decline in the percentage of high margin products.

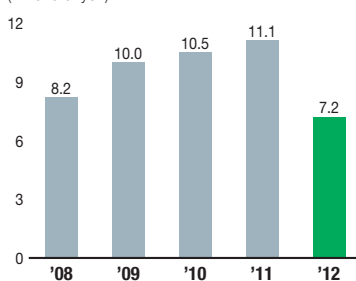
Net Sales

(Billions of yen)



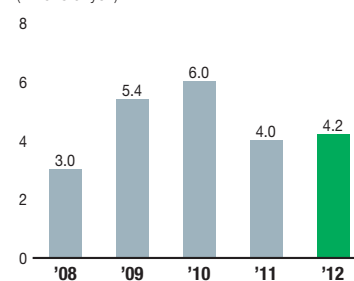
Operating Income

(Billions of yen)



Net Income

(Billions of yen)



Interview with the President

In the area of advertising expenditures, we made inputs of additional resources for investments in strengthening our brand building and communications activities to strengthen and further nurture our brands as well as develop our direct-to-consumer business.

In part because of these forward-looking investments, operating income in our Consumer Products Business decreased substantially, but we proceeded to strengthen our detailed management of our product mix, and there were signs of recovery in profitability in the fourth quarter.

Our second strategy under “Vision 2020” is “quantitative expansion of overseas businesses.” During the fiscal year, sales and operating income in our Overseas Business grew at double-digit rates, along with economic growth and expansion in the middle-income classes in the Asian countries overseas where we have operations.

Our third strategy is “development of new business value.” To implement this strategy, we focused on our direct-to-consumer business. In fiscal 2012, the cumulative number of customers for this business reached one million, and 140,000 persons had become purchasers of Lion products on a regular basis. Sales in this business expanded about 60%, and we are ahead of schedule in closing in on our target of ¥10.0 billion in 2014.

The fourth of our “Vision 2020” strategies is “enhancement of organizational learning capabilities.” To realize this objective, we focused on making improvements in our various related systems and human resource development, with the aims of rejuvenating and strengthening the capabilities of the Lion organization.

Although issues remain regarding profitability in domestic consumer goods businesses, my feeling is that, overall, we made steady progress during the fiscal year in implementing these strategies under our “V-1 Plan.”

Q : In view of performance in fiscal 2012, are you planning to revise your “V-1 Plan?”

A : I am keenly aware that we are behind in progress toward reaching our target of ¥20 billion in operating income for the final year of our three-year plan (fiscal 2014). However, as I have just indicated, we are making progress toward implementing our four business strategies.

Therefore, I believe, first, that we must make solid progress and give maximum priority to achieving recovery in profitability in our domestic businesses and attain our objectives of ¥342.0 billion in net sales and ¥10.0 billion in operating income in fiscal 2013. In particular, we must identify what must be done to achieve recovery in income in our domestic business operations, and, after the timely reconsideration of our policies, we will make announcements regarding specific goals under the medium-term plan and the years for attaining them.

Q : Could you describe some of the issues you face in fiscal 2013 and the specific actions you are taking?

A : I think the keys to success in fiscal 2013 are “raising profitability in Consumer Products

Business” and “strengthening our Industrial Products Business.”

In the Consumer Products Business, we are strengthening our activities to conduct detailed supervision and management of sales activities by product and to provide proposals suited to individual stores, with the objectives of improving our product mix and making more-efficient use of sales promotion expenses. In addition, we will make further progress in nurturing high-value-added products, an activity we are already engaged in; devote further resources to launching new products in our core brand lines, such as *Clinica* oral care products; and take further initiatives in strengthening our brands.

Developing products that make dramatic changes in the structure of markets and building major brands are duties that national brand manufacturers must perform.

On the other hand, in the Industrial Products Business, although domestic demand in the chemical business is stagnant as a result of the weakness in the economy, we will take up the challenge of winning in global markets by drawing on our one-of-a-kind technologies. Our key competitive weapon in this endeavor will be our electro-conductive carbon black. Moreover, thus far, our detergents for institutional use have been marketed mainly to restaurants, but, in view of the expansion of needs for health supervision, we will focus more attention on marketing to medical and nursing care establishments.

Q : Are you anticipating that performance in overseas operations and the direct-to-consumer business will be favorable in 2013?

A : We will strive to maintain double-digit growth in Overseas Business in fiscal 2013 and work aggressively to attain the No. 1 market shares in the Asian markets for oral care and laundry detergent products.

Under Vision 2020, our plan is to increase the share of overseas sales to 30% (compared with 17% in fiscal 2012). One of the factors supporting us in reaching this goal will be winning and maintaining the support of the middle-income classes in these countries, because they have an interest in global brands that offer high-value-added products. At the same time, with Lion’s history of 55 years of operating in the countries of Asia as a background, we will work to provide products to the “traditional trade” who are the proprietors of variety and other retail stores and strive to expand sales of our local brands (general products for local markets). Along with this, we will respond to the growth in demand, accompanying economic expansion in Asia and the rising awareness of consumer products and lifestyles, and proceed with expansion in production capacity.

Also, in the Philippines, where we have recently begun to establish a presence, our joint venture, PEERLESS LION, began operations in fiscal 2013. At present, we are conducting business operations in nine countries and regions in Asia, including the Philippines, but we have also formed task forces to further expand our coverage



to additional countries in Asia and we are stepping up our search for business opportunities.

In the direct-to-consumer business, we are making specific preparations for establishing second or third mainstay products to complement the highly successful *Nice rim essence Lactoferrin*.

Q : The market in Japan is on a shrinking trend. What are your plans for the medium-to-long term?

A : We are examining possibilities from various perspectives because the domestic market is undergoing change even apart from the trend toward a decline

in the population. For example, while the principal type of laundry detergent was formerly powdered types, liquid detergents now occupy center stage. In addition, the number of single-person households is rising, and accounted for more than 30% of all households in the 2010 national census. Even in the domestic market, which is considered saturated by some, we are developing products that will respond to signs of change in the market, and, by making new lifestyle proposals to consumers, we believe we will identify opportunities to strengthen our business foundation. I think this is an excellent example of “qualitative growth.”

To make this happen, we must first clarify “evidence and targets” to pursue the development of products that give consumers a clear sense of their value when they use them. In July 2013, we will complete a new R&D facility in Tokyo, and it will be a meeting place for researchers from different professional disciplines and from many countries. Moreover, this facility will be a base for consumption and lifestyle studies, and we are planning to expand our research activities into latent needs.

Also, along with the trends toward a declining birthrate and the aging of the population, it is becoming increasingly important to communicate information on changes in Japan’s living environment and lifestyles. We will strive to transmit information, not just through the mass media but also through many other interfaces, as we also take initiatives to expand the scope of our communications activities to identify consumer needs.

Q : What indicators of management performance do you emphasize the most? What is your policy regarding returning profits to shareholders?

A : Among the various performance indicators, we place emphasis on our operating income ratio and ROE, as measured by the return on shareholders' equity. Our targets under the "V-1 Plan" for fiscal 2014 are 5.5% for operating income, versus 2.2% in fiscal 2012, and 10% for ROE, compared with 4.0% in fiscal 2012.

Regarding our policies for returning profits to shareholders, we believe that the payment of stable dividends on a continuing basis is of key importance. For fiscal 2012, we paid a dividend of ¥10 per share. We believe we should reward shareholders not only by increasing corporate value and paying dividends but also focusing on making timely and expanding disclosure of corporate information.

We have deep roots in business domains that satisfy people's basic needs for health and comfort. We, therefore, believe that we should return benefits not only to shareholders but also to all our stakeholder groups by providing them with major value in the form of healthy and comfortable lifestyles.

Q : In conclusion, could you please describe your management philosophy?

A : At Lion, our view of an ideal company is "a presence, engaging in *monozukuri* (manufacturing) activities that offer new value to all people in Japan and

overseas." I should not forget our original purposes and always keep in mind to make simple judgments regarding whether Lion is actually living up to its ideals in all ways. I am confident that Lion is not a company where top management just gives directions to subordinates, but an organization where the driving force for creativity and originality comes spontaneously from the workplace. It is also an organization where everyone has curiosity and a culture that aggressively tackles new challenges. I want us to continue to value and maintain these aspects of our corporate culture.

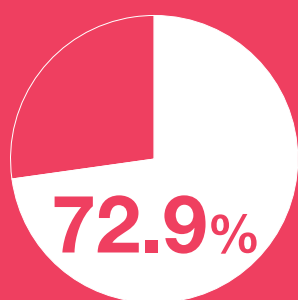
My role is to see that Lion grows into a leading company in the Asian daily necessities and OTC pharmaceutical markets and a company where all employees can realize their dreams and feel a sense of pride. Going even beyond this, I want to work even harder to make more and more "Lion fans" among consumers and other stakeholders.

April 2013



Itsuo Hama
Representative Director and President

Review of Operations



Consumer Products Operations

Sales in the oral care business, including toothpastes and toothbrushes, and in the fabric care business, including laundry detergents, held firm, while sales in the direct-to-consumer business showed significant expansion and, as a result, sales in the Consumer Products Business rose over the previous year.

Operating income showed a steep decline because of the decrease in sales of high-margin seasonal products and the rising percentage of items in the lower-priced range.

Net Sales

¥244.2 billion (1.3% up)

Note: Sales of business segments exclude internal sales within and among segments.

Operating Income

¥4.3 billion (50.9% down)

Market Environment

In the domestic markets for domestic toiletries products where Lion has a presence, unit prices continued to show a moderate declining trend. However, as a result of the increase in the number of households and the launching of new, high-value-added products in the laundry detergent and fabric softener market, sales value rose approximately 1%* over the previous fiscal year. On the other hand, sales of pharmaceuticals in the over-the-counter (OTC) market declined.

* 2012 INTAGE Inc., SRI Survey

Market Position of Products in Japan

Lion's major product fields and 2012 market positions in Japan

(Market size in Japan)



Note: Figures for market size presented above are based on retail sales data, and do not include sales of gift packages.

Source: 2012 INTAGE Inc., SRI survey, on the basis of sales value

Performance in Fiscal 2012

Amid the declining trend in unit prices of daily necessities, Lion has launched high-value-added products and worked to develop their market positions under the key words of “having clear evidence of effectiveness,” “having well-defined target markets,” and “giving consumers a reassuring feeling of effectiveness.” In July last year, Lion launched *TOP HYGIA*,^{*1} a super-concentrated liquid laundry detergent, and sales were above the planned levels. Another newly launched product, *LOOK Bath Antimold Fogger*,^{*2} a fungicidal agent for stamping out mold in bathrooms, is a completely new and path-breaking product that received a favorable reception from consumers.

Moreover, in the direct-to-consumer business, sales of functional food and other products that help consumers raise their quality of life (QOL) were quite favorable. Sales of *Nice rim essence Lactoferrin*, Lion’s principal health food product, expanded substantially, and the lineup of direct-to-consumer products was expanded through the introduction of *Tomatosu + Milk Peptide Seikatsu*.

As a result of these initiatives, although sales were above the level of the previous fiscal year, operating income declined. Factors accounting for this were decreases in sales of high-margin seasonal items, such as antiperspirants and

insecticides, because of the effects of unseasonable weather conditions. Other factors were the deterioration in the product mix, as sales of antipyretic analgesics, eyedrops, and certain other items showed little growth due to shrinkage in the OTC market; expenditures for sales promotion activities were increased to deal with sales competition at the store level; and investments in advertising were made to build brand equity and promote the direct-to-consumer business.

^{*1} See the Fabric Care section on page 24.

^{*2} See the Living Care section on page 25.

Implementing Lion’s Basic Strategy “V-1 Plan”

In the Consumer Products Business, in the daily necessities, OTC pharmaceutical, and functional food product fields, Lion is working to identify consumers’ latent needs under three key words (namely, “health, comfort, and environment”) and, thereby, create new markets by inviting consumers to try new value proposals. These initiatives are also aimed at strengthening the Lion brand as well as rejuvenating and expanding the market as a whole. In the mature domestic markets, Lion is launching new high-value-added products in growth fields, expanding and focusing its advertising investments to support the expansion of sales of these products and achieve improvement in the quality of its business activities. In addition, in the rapidly expanding direct-to-consumer business, Lion is moving forward with developing and expanding the lineup of products that can become the second mainstay of this business after *Nice rim essence Lactoferrin*.



Masazumi Kikukawa

Director, Executive Officer, and Executive General
Manager of Health and Home Care Products Division

Oral Care Business

Performance of newly launched products in the *Clinica* and *Dentor Systema* brand lines was favorable, and sales of this business rose above the previous fiscal year.

Key Products Contributing to Performance in Fiscal 2012

Launching *Dentor Systema Toothpaste Sensitive Care*

The total market for toothpastes in Japan expanded 2% over the previous year in fiscal 2012. Within this market, the demand for toothpastes to prevent hypersensitivity expanded 14%.* According to Lion's research, consumers who are experiencing hypersensitivity are concerned about inflammation of their gums, bleeding, and other symptoms, and are becoming increasingly aware of the need to prevent periodontal diseases and use toothpastes and toothbrushes that are effective in preventing these conditions. Also, since there is a general belief that toothpastes for the prevention of hypersensitivity are a special type and not for the general population, there may be many people who could benefit but are not using these types of toothpaste. With these consumers in mind, in fall 2012, Lion newly launched its *Dentor Systema Toothpaste Sensitive Care* under its *Dentor Systema* brand lineup of oral care products for consumers. This toothpaste applies Lion's periodontal pocket care technology and provides a practical way to prevent both stinging pain from hypersensitivity and periodontal disease as well as prevent gingivitis and periodontitis.

The introduction of *Dentor Systema Toothpaste Sensitive Care* has enabled Lion to win new customers among those consumers who still do not use toothpastes for combating painful hypersensitivity.

* 2012 INTAGE Inc., SRI Survey



Strategy in Fiscal 2013

During fiscal 2013, Lion will continue to prioritize activities aimed at adding new value to products in its two major oral care brand lines, *Clinica* and *Dentor Systema*. In the *Clinica* line, Lion introduced its *Clinica Advantage Toothbrush*, which will be a top-of-the-line, high-quality product featuring a thin head and a slender neck for reaching the back of the molars, which is a design recommended by dentists. To strengthen its brand positioning, Lion has launched this high-value-added toothbrush with an original shape that gives the feeling of more-effective brushing. In the *Dentor Systema* brand line, Lion will further promote sales of *Dentor Systema Toothpaste Sensitive Care* as well as other products to raise its position in the market for periodontal disease prevention.

Beauty Care Business

Sales of newly introduced hand soaps were strong, but performance of antiperspirants was weak because of the effects of unseasonable weather. As a result, sales of this business were below the level of the previous fiscal year.

Key Products Contributing to Performance in Fiscal 2012

Launching KireiKirei Medicated Foaming Hand Soap

Along with epidemics of the norovirus and influenza, the market for hand soaps is continuing to expand. Consumers, including not only children but the rest of the family as well, are shifting their support especially to foaming hand soaps, because of their ease of use. As a result, these foaming soaps now account for about 65% of the hand soap market.*¹ In addition, within this market segment, consumer interest in hand soaps with various fragrances is rising, and in line with this market trend, Lion launched additional new fragrances in September 2012, bringing the total fragrance lineup to three, while also introducing improved versions. Lion also offered limited edition sets comprising empty dispensers and refills as well as sets with full dispensers and refills have also been successful, and sales of these products increased over the previous year. To commemorate the 15th anniversary of the launching of the KireiKirei line of hand soaps, Lion held a special campaign, calling for consumers to submit their photos of “clean hands” and faces that had just been washed with KireiKirei hand soap. In total, about 20,000 photographs were collected, and these were used to make massive photo art panels, which were displayed in 14 major rail stations nationwide and on the Lion website.*²

*1 2012 INTAGE Inc., SRI Survey. On basis of retail sales

*2 <http://kireikirei.lion.co.jp/ad/>

Strategy in Fiscal 2013

In fiscal 2013, Lion launched *Ban Shower Deodorant*, an aqueous antiperspirant for the entire body that gives a “just showered” feeling. According to the results of Lion’s survey of working women in their 20s and 30s, about 80% said they use a deodorant in the mornings before going to work to control perspiration and odor as well as refresh them and “switch on” their minds. In addition, about 60% said they would like to take a shower in the morning but actually cannot because of “not enough time” and “it’s too much bother.” Lion has introduced *Ban Shower Deodorant* for working women to provide them with an antiperspirant that gives them a “just showered” feeling in the morning and enables them to refresh themselves and adopt a positive frame of mind as they tackle the challenges of the day ahead. Lion will continue to develop new market segments and encourage consumers to use existing deodorizing powders, sheets, and roll-on preparations at the appropriate times and on the appropriate occasions with the goal of revitalizing the market.



Fabric Care Business

Liquid laundry detergents and fabric softeners with long-lasting fragrances showed robust performances in 2012, and sales in this business rose over the previous year.

Key Products Contributing to Performance in 2012

Launching of TOP HYGIA

Consumer awareness of disease prevention and personal hygiene has risen in recent years as a consequence of an increase in the frequency of cases of influenza and the norovirus. Along with this growing awareness, consumers have recognized the value of personal hygiene in the laundering of clothing and have shown a desire for being relieved of their concerns*¹ in this area. In view of this

trend, Lion has released TOP HYGIA, a super-concentrated liquid laundry detergent that offers the new “prevention concept”*² to enhance the antibacterial*³ properties of laundry with each washing.

This effect has been achieved by a combination of positive-ion antibacterial ingredients and detergency that removes the protein-based grime that nurtures bacteria. As a result of the launching of TOP HYGIA, a new detergent category has been created

that offers “hygiene and relief” in addition to the existing categories of “enjoyment and happiness” (product groups that focus on fragrance and softness) and “cleanliness and refreshment” (products that focus on detergency). This category is winning new consumers. Sales of this product were 6% above initial plans, and are acting as a driving force in expanding the super-concentrated liquid laundry detergent market.

*¹ According to Lion research

*² The “prevention concept” is based on the idea of forestalling in advance the growth of bacteria and odor formation on clothing through detergency and antibacterial action.

*³ TOP HYGIA does not increase the effectiveness against all types of bacteria.



Strategy in Fiscal 2013

During fiscal 2013, Lion will continue to aggressively launch products and invest in advertising activities in the field of super-concentrated liquid laundry detergents and fabric softeners with fragrance and deodorant. The aims of these activities will be to secure growth at a higher pace than the overall market and raise its market presence. In the field of super-concentrated liquid laundry detergents, Lion introduced a new version of TOP NANOX with improved detergency that achieves greater whiteness and better removes odors coming from sebum. Lion will work to win the No. 1 market share in this category with its lineup of TOP NANOX, TOP HYGIA, and Kaori Tsuzuku (Long-Lasting Fragrance) TOP plus. Among fabric softeners, Lion added Annie, a newly developed fragrance in the Kaori to Deodorant no SOFLAN (SOFLAN with Fragrance and Deodorant) Aroma Rich line to drive growth in the market for softeners of this type and win the No. 1 market share in this category.

Living Care Business

Sales of Lion's new fogged type of fungicide for preventing growth of black mold in the bathroom were favorable, but performance of dishwashing detergents and cooking-aid products was weak, leading to sales below the previous year.

Key Products Contributing to Performance in 2012

Lion's newly launched fungicide *LOOK Bath Antimold Fogger*

According to Lion's consumer research on household fungus growths, the biggest concern about cleaning the bathroom is mold. However, many consumers indicate dissatisfaction with the conventional chlorine-based mold cleaning agents because of their "strong smell" and "the inconvenience of having to use gloves." Consumers also feel that mold cleaning is burdensome, because mold grows again almost immediately, and thus causes consumers to be further dissatisfied with conventional mold removers. After reviewing these results, we concluded that stopping this endless and repetitious cleaning process is the key to satisfying consumers' potential needs.



To determine the basic reasons for the growth of black mold, we conducted a survey of the bathrooms of 25 typical households. This led us to discover that the cause of recurrence of mold growth was the black mold spores lurking on the ceiling. Based on this finding, we decided to apply Lion's fumigation technology because mold spores in the whole bathroom, including the ceiling, have to be eliminated. The key points about the new technology are that the fungicidal agent is delivered in the form of a "fog," and that silver ions were selected as the anti-mold agent because they are harmless to human beings.

As a consequence, Lion has made an important breakthrough in bathroom cleaning, shifting the focus from "removal of mold" to "prevention of mold growth from the spore stage." The creation of this new category of home cleaner has helped to revitalize the household bathroom cleaner market.

Strategy in Fiscal 2013

Lion will continue to promote *LOOK Bath Antimold Fogger*, which was launched in September 2012, and effectively establish this new household cleaning style as "preventing the growth of mold." In addition, we will endeavor to win new customers for *LOOK Mame-Pika Toilet Cleaner* and establish an even stronger position for this product in the household cleaner market.

Pharmaceutical Business

As a result of shrinkage in the OTC pharmaceutical market as a whole and the effects of more intense competition in the antipyretic analgesic field, sales in this business were below the level of the previous year.

Key Products Contributing to Performance in Fiscal 2012

Launching *Sucrate Ichoyaku*

Because of the decline in recent years in the number of occasions when consumers drink alcoholic beverages, the number of people experiencing stomach discomfort and taking gastrointestinal agents for relief is also decreasing. On the other hand, the number of people experiencing stomach pain is on the rise. The causes of stomach pain include stress, overwork, and aging, and one direct cause of pain is irritation of the stomach lining.

Lion's research has indicated that people most frequently experience pain when their stomachs are empty, after waking up in the morning, and at other times, but, because of the stereotyped notion that medicines should be taken after meals, they may not seek medicinal relief at these times.

Lion's *Sucrate Ichoyaku* series contains the active ingredient sucralfate hydrate, which selectively adheres to and heals the inflamed stomach lining that is the cause of pain. Therefore, the less that the stomach contains, the more effectively *Sucrate Ichoyaku* can give relief to pain sufferers.

For the growing number of people experiencing stomach pain, in fall 2012, Lion introduced *Sucrate Ichoyaku* with a new package design and a new and clearer promotional message printed on the package: "*Sucrate Ichoyaku* goes directly to work on your pain at the source and is most effective when your stomach is empty or you are asleep." Sales of this preparation were favorable, and Lion exceeded its targeted market

share by winning new customers, expanding opportunities for potential customers to try *Sucrate Ichoyaku*, and increasing the number of stores

handling *Sucrate Ichoyaku* by capitalizing on the medicine's good reputation among retailers and wholesalers.



Strategy in Fiscal 2013

In fiscal 2013, Lion will work to strengthen its core brands.

In the *BUFFERIN* brand lineup, Lion is making an even stronger appeal to *BUFFERIN*'s excellence as a preparation that satisfies the two major customer needs for analgesics—fast acting and easy on the stomach. Also, through expanded corporate initiatives, Lion aims to recapture the No. 1 market share in the antipyretic analgesic category. In the *Smile* eyedrop lineup, Lion has introduced high-value-added products for middle-aged and older persons and aim to fully consolidate its No. 1 position in this market segment. Also, in fall 2012, Lion introduced improved versions of its *Stoppa* and *Sucrate Ichoyaku* brands, *Stoppa EX Antidiarrheal* and *Sucrate Ichoyaku*. Lion has strengthened its promotional activities for these products to establish their unique position and further expand market share.

Other Products

The Other Products business segment includes the goods-on-order business, which markets novelty items for corporations and gift items, the direct-to-consumer business, which sells functional food and other products through direct channels to consumers, and the pet supplies business.

Direct-to-Consumer Business

Performance in Fiscal 2012

Lion increased sales in the direct-to-consumer business. The number of customers who have tried *Nice rim essence Lactoferrin*, which provides support for healthy dieting practices, exceeded one million, and the number of regular purchasers of this product rose. Lion launched *Tomatosu + Milk Peptide Seikatsu*, which contains powdered tomato vinegar and *Milk Peptide*,* in tablet form, which makes it easy, even for persons who dislike the taste of vinegar to enjoy the health advantages of this product. Thus, sales in the direct-to-consumer business expanded at double-digit rates. Total sales of this business were ¥9.7 billion for the fiscal year, almost attaining the target of the Medium-Term Management Plan of ¥10 billion set for fiscal 2014 ahead of schedule.

* *Milk Peptide MKP* developed by Morinaga Milk Industry Co., Ltd.



Strategy in Fiscal 2013

Lion will continue to make investments in the direct-to-consumer business, including advertisements on TV, in newspapers, and over the Internet, and endeavor to win new customers for *Nice rim essence Lactoferrin*, *Tomato Su Seikatsu*, *Denshichi Ninjin Shukan*, and other products. Lion will focus on developing and expanding sales of products that can become the second mainstay of this business following *Lactoferrin*.

Pet Supplies Business

Performance in Fiscal 2012

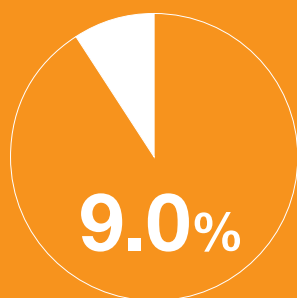
In the Japanese pet market, the market size for pet supplies decreased from the previous year because of low growth in the number of dogs and cats kept at home. In addition, the market structure has changed because of a number of trends, including purchasing smaller pets, an increase in the number of aging and obese pets, and raising pets indoors. In this market environment, Lion's cat litter showed favorable sales and maintained its No. 1 market share.* Furthermore, Lion's pet sanitary sheets for dogs also posted good sales performance because of the launching of superior new products with high waste absorbancy performance and the incorporation of deodorizing fragrance technology. As a result, sales of pet supplies were above those of the previous fiscal year.

Strategy in Fiscal 2013

In line with the structural changes taking place in the pet supplies market, there is an ongoing trend toward providing high-value-added oral care and sanitary products for dogs. Lion is expanding the scope of its *Pet Kiss* brand lineup of oral care products as well as working to expand the market by proposing and raising awareness of its "One-Week Oral Care Program," which is recommended by veterinarians. Also, through expanding its offering of sanitary products for dogs, Lion is endeavoring to increase customer satisfaction.

* 2012 INTAGE Inc., SRI Survey





Industrial Products Business

Performance of detergents for institutional use and related products held firm. However, the Chemical Products Business experienced difficult operating conditions because of the stagnation in demand for chemicals and the decline in exports owing to the appreciation of the yen. Overall sales in the Industrial Products Business moved below the level of the previous year.

Net Sales

¥30.1 billion (2.8% down)

Note: Sales of business segments exclude internal sales within and among segments.

Operating Income

¥0.3 billion (16.0% down)

Lines of Business

The Industrial Products Business comprises the Chemical Products Business, which includes surfactants, electro-conductive carbon black, and other products, and the detergents for institutional-use business, which markets various types of cleaning agents and hand soaps for use in the kitchens of hotels and restaurants.

Industrial Products Business



Palm fatty acid ester-based insulating oil



Electro-conductive carbon black



Detergent for institutional use

Chemical Products Business

Market Environment and Performance in Fiscal 2012

During the year, this business worked to expand sales and raise profitability, principally in its three core areas—ester derivatives, electro-conductive carbon black, and industrial cleaners. However, performance was below the previous year because of stagnant industrial demand worldwide and shrinkage in exports due to the appreciation of the yen.

Strategy in Fiscal 2013

To increase business scale and profit, this business will continue to prioritize resource allocation to its three core areas. In ester derivatives products, focus will be on high-value-added products, including plant-based insulating oils for transformer use. In electro-conductive carbon black products, efforts will be concentrated on rechargeable batteries for automobiles and electronic components. In industrial cleaners, marketing will focus on applications in automotive parts, where demand is firm, and on uses in IT and electronic components. Along with these domestic marketing activities, the Chemical Products Business is building production and marketing capabilities overseas, mainly in ASEAN countries. Also, as demand for recovery from the March 2011 earthquake rises, this business will expand sales to the civil engineering construction field, including agents for chemical admixture for soil foundations, as it also aggressively enters new environment and energy related markets.

Detergents for Institutional-Use Business

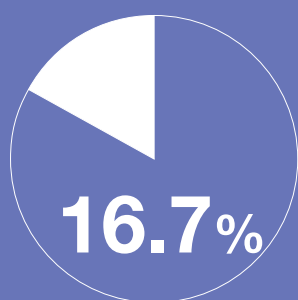
(Lion Hygiene Co., Ltd.)

Market Environment and Performance in Fiscal 2012

Along with the decline in the rates of utilization of hotels and restaurants as well as the increasing emphasis on frugality, demand for cleaning services has also decreased. Sales of detergents for institutional dishwashing remained at the same level as during the previous year, and sales of detergents to the cleaning industry were above the previous year because of the cultivation of new customers. In addition, because of the unseasonably hot weather from the latter half of July onward and efforts to prevent cases of food poisoning, sales of clothing detergents, hand soaps, and alcohol were favorable, leading to an overall rise in sales of this business.

Strategy in Fiscal 2013

Lion will work to expand sales of detergents for institutional dishwashing and for hotel linens by stepping up its marketing approach to develop customers among new restaurant and hotel chains. Lion will also strive to win potential customers among hospitals and homes for the elderly, where demand is expected to remain firm and where requirements for detergents are less influenced by fluctuations in the economy. Among product fields, sales activities will be reinforced for hand soaps and finger cleaners for which strong demand is anticipated along with the growing awareness of the importance of personal hygiene. Lion will also strengthen its sales approach for cleaners used in food product manufacturing plants.



Overseas Business

Sales overseas rose above the previous year, driven by a favorable performance of detergents in Thailand and a substantial increase in sales of oral care products in China. Operating income exceeded the level of the preceding year as a result of more-efficient use of sales promotion expenses, reductions in costs, and other factors.

Net Sales

¥56.0 billion (9.9% up)

Note: Sales of business segments exclude internal sales within and among segments.

Operating Income

¥1.4 billion (85.0% up)

Market Environment in Fiscal 2012

In the countries of Southeast Asia where Lion has a presence, demand for daily necessities, including oral care products and laundry detergents, is expanding along with growth in populations and incomes. Moreover, consumers are showing a growing preference for high-value-added products. Lion is also expanding its manufacturing facilities for the production of oral care products and laundry detergents, while working to capture demand by expanding the scope of its product lineup to cover the range from general to high-value-added products.

Review of Fiscal 2012

During fiscal 2012, overseas sales and operating income showed almost double-digit growth. Lion launched products suited to the needs of individual countries and continued to expand its sales channels. In Thailand, sales of fabric care and living care products were favorable, and in China, sales of oral care products showed steady growth.

Under its strategy of “quantitative expansion of overseas business,” Lion worked to implement product policies and expand production facilities with the major goals of becoming “No. 1 in oral care” and “No. 1 in laundry detergents.”

Policies implemented to become No. 1 in oral care included strengthening the *Systema* brand and conducting activities to increase brand value. In Southeast Asia, Lion is launching high-value-added products to respond to the preferences of the growing middle-income classes, and, in Thailand, sales of newly introduced toothbrushes continued to be favorable. In Northeast Asia, Lion implemented measures to meet demand for oral care products that is rising along with the aging of the population, and sales in China expanded. In addition, to expand production capacity, Lion moved forward with the construction of new plants for oral care products in Thailand and China. The Thai plant will go into operation during 2013 and the plant in China in 2014.

To secure the No. 1 position in laundry detergents, Lion worked to achieve quantitative expansion in each of the countries overseas where it has a presence. In Malaysia, Lion maintained the top market share for laundry detergents* and expanded production facilities for powdered detergents. In addition, to respond to the increase in the percentage of liquid detergents in the product mix in Southeast Asia, Lion launched high-value-added liquid detergents in Thailand. Also, in Hong Kong, Lion introduced super-concentrated liquid detergent *TOP NANOX* and seized the top share* in the liquid detergent market.

* Results of Lion's research

Strategy for Fiscal 2013

In its overseas business, Lion will launch new products aggressively, make marketing investments, and undertake further investments in plants and equipment as it aims to become No. 1 in laundry detergents and oral care through double-digit growth. Lion will strive to secure a profitable business structure through the introduction of high-value-added products, focusing on toothpaste and toothbrushes in the *Systema* brand line, and through manufacturing and supplying products that are suited to its business strategy. In addition, in the laundry detergents business, Lion will develop products that are appropriate for differing apparel laundry customs and preferences in various countries, and endeavor to win the leading market share in both powdered and liquid detergents.

In the Philippines, where Lion entered into a joint venture, PEERLESS LION CORPORATION, last year, operations are scheduled to commence in 2013 in the oral care and shampoo products fields. Lion will continue to strengthen its overseas business operations by entering additional markets overseas where it does not currently have a presence. In parallel with this, Lion will expand its range of high-value-added products, along with the rise of the middle-income classes, and enter new fields.



Kenjiro Kobayashi

Director, Executive Officer, and
Executive General Manager of
International Division

Review of Operations

Regional Reports

Thailand



Products

Toothpaste, Toothbrushes
Body soap
Shampoo
Laundry detergents
Fabric softeners
Dishwashing detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+13%

Market Environment and Performance in Fiscal 2012

Lion's sales in Thailand are the largest of any of its overseas markets and account for more than 50% of its consolidated overseas sales. In Thailand, sales of new products in the *Pao* brand lineup of laundry detergents during the year and sales of liquid detergents, which were introduced in 2011, were favorable. In addition, performances of newly introduced *Systema* toothbrushes and *Lipon* dishwashing detergent held strong. Also, Lion moved ahead with further market development by placing its products not only in large chain retail stores but also in smaller traditional trade stores. As a result of these initiatives, sales in Thailand showed double-digit growth.

Strategy in Fiscal 2013

In the laundry detergent field, Lion will further develop sales of the high-value-added *Pao Silver Nano* Series, which was launched in the previous year and experienced favorable sales,



New oral care product facility in Thailand

as well as take further steps to nurture this product and other liquid detergents. In the oral care field, Lion will step up its investments in advertising for its *Systema Super Spiral* toothbrush, which was introduced last year, and, in the toothpaste field, Lion will further develop its products targeted at particular geographical regions. In 2013 also, Lion will secure growth and income through developing products targeted at particular price zones and geographical regions, by nurturing its core brands through its sales strategies and through the introduction of new, highly differentiated products.



Pao
Laundry detergents



Systema
Toothbrush



Systema
Toothpaste



Lipon
Dishwashing detergent

South Korea



Products

Toothpaste, Toothbrushes
Hand soap
Shampoo, Conditioner
Laundry detergents
Dishwashing detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+1%

Market Environment and Performance in Fiscal 2012

In South Korea, Lion is developing its presence in the fields of laundry detergents, oral care, dishwashing detergents, hand soaps, and other fields. The market for daily necessities in South Korea showed a slight increase in sales value; however, within the laundry detergent market, the percentage accounted for by liquid laundry detergents expanded. Also, in the hand soap market, foam types showed increases in sales. Lion experienced tough operating conditions in the oral care and fabric care fields, but sales of *Ai-kekute* (sold under the brand name *KireiKirei* in Japan) hand soap grew at double-digit rates. As a result, sales in South Korea overall were above the previous year.

Strategy in Fiscal 2013

In South Korea, Lion will give priority to enhancing profitability in existing businesses, while working primarily to nurture and strengthen the



Oral care advisory counter

Systema brand lineup in the oral care field. In the liquid laundry detergent market, Lion will launch a new product containing bleach, and strive to increase profitability through the development of high-value-added, high-margin products. At the same time, in the *Systema* oral care series, Lion will carry out measures to improve communication with consumers through its oral care advisory counter and other means to raise its presence in the market.



Ai-kekute
Hand soap



Cham Green
Dishwashing detergent



Systema Sonic
Vibration Assist Toothbrush



BEAT
Liquid laundry detergent

Singapore



Products



Toothpaste, Toothbrushes
Body soap
Hand soap
Laundry detergents
Dishwashing detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+6%

Sales performances of powdered *TOP* improved version and liquid *TOP* laundry detergents were favorable. In addition, in the beauty care field, Lion expanded its product offerings to include body soaps in the *Shokubutsu-Monogatari* brand and *KireiKirei* brand lines. Lion will continue to develop *TOP*, *Systema*, *Shokubutsu-Monogatari*, and *KireiKirei* as global brands.

China



Products



Toothpaste, Toothbrushes
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+13%

In the oral care business, as a result of the addition of new products in the *Systema* toothbrush brand line as well as investments in advertising to increase the awareness of products in this lineup in priority cities and other activities, sales in China expanded substantially. After fall 2012 and the change in the situation in China, Lion's performance has been affected, but, overall, sales expanded 13% for the fiscal year. A new plant for increasing manufacturing capacity in oral care products is scheduled to go into operation in fiscal 2014.

Taiwan



Products



Toothpaste, Toothbrushes
Laundry detergents
Body soap
Etc.

Sales Growth Rate

(Year on year, local currency basis)

-2%

In the laundry detergent business, Lion launched a new, concentrated powdered detergent with long-lasting fragrances. Also, in the toothbrush area within the oral care field, Lion continued to run commercials advertising its *Systema* toothbrush, and sales remained favorable. Overall sales were virtually level with the previous year because of weakness in the fabric care field.

Hong Kong



Products



Toothpaste, Toothbrushes
Laundry detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+16%

In the fabric care field, sales promotion activities for liquid detergents *TOP* and *NANOX* proved effective, bringing a favorable sales performance in comparison with the previous year. In addition, as a result of the launch of *NANOX*, Lion rose to the No. 1*1 position in the liquid laundry detergent market. Sales of oral care products, including toothpastes and toothbrushes, continued to be favorable, and, as a consequence, overall sales in Hong Kong showed double-digit growth.

Malaysia^{*2}



Products

Toothpaste, Toothbrushes
Body soap
Shampoo
Laundry detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+8%^{*3}

In the laundry detergent market, where Lion has the No. 1 market share,^{*1} sales of powdered and liquid *TOP* brand laundry detergents grew substantially over the previous year. In the oral care field, sales of *Systema* toothbrush and *Fresh & White* toothpaste as well as sales of *Shokubutsu-Monogatari Body Soap* were favorable. Going forward, Lion will continue to implement its strategy to remain the No. 1 company in the laundry detergent field and move ahead with activities to nurture its global brands in the oral care and beauty care fields.



Top



Bio Zip
Laundry detergent

Indonesia^{*2}



Products

Toothpaste, Toothbrushes
Shampoo
Body soap
Dishwashing detergents
Etc.

Sales Growth Rate

(Year on year, local currency basis)

+23%

As the market in Indonesia expands, Lion is increasing its investments in advertising for existing brands, and, as a result, sales of beauty care, oral care, and living care products held strong. In the beauty care business, sales of shampoo, which Lion has been advertising aggressively, expanded and the performance of skin care products introduced in fiscal 2011 has also been favorable.



ZINC
Shampoo



Mama LEMON
Dishwashing detergent



Ciptadent
Toothpaste

*1 Results of Lion's research

*2 Company accounted for under the equity method

*3 Excluding Lion Eco Chemicals Sdn. Bhd.

Corporate Social Responsibility (CSR)

Business Activities Supporting Clean, Healthy, Comfortable and Sustainable Life

The origins of Lion's approach to CSR can be traced to the Company's founding spirit of "working for the benefit of people and society."

Having built a robust foundation for business based on its Company motto and management philosophy, Lion has continued to contribute to the sustainable development of society by conducting business activities under its management vision.

Lion started issuing a CSR report from 2005 and holding its stakeholder dialogues from 2008. Since 2009, we have participated in the United Nations Global Compact, a global framework to realize sustainable growth, working on achievement of the 10 principles including human rights, labor, environment, and anti-corruption.

In 2011, with ISO 26000, the international standard for social responsibility, we started enhancing our CSR management by objectively assessing our CSR

activities in cooperation with a third-party organization.

At the same time, we are initiating activities aimed at ascertaining the current status of efforts made by the entire Group and uncovering pertinent issues by taking stock of the CSR activities of each Group company. In engaging in these activities, we are focusing mainly on actions and expectations related to the seven core subjects that all organizations should address. The seven core subjects are stipulated under ISO 26000 and comprise organizational governance, human rights, labor practices, the environment, fair operating practices, consumer issues, and community involvement and development.



Community Involvement and Development

Lion's central business themes—health, comfort, and the environment—are also the foundation for the Company's social contribution activities. We conduct activities in each area, placing importance on cultivating a mentality among our employees of wanting to get involved. Much energy is directed towards communication and education about oral care, as has been the case since the Company's founding, as well as towards conservation of the water environment. These efforts are directly related to our business activities.

Consumer Issues

Lion carries out quality assurance activities at all stages, from the very beginning of the product creation process through to and including product consumption, in order to turn out the kind of products that customers will be satisfied with. Specifically, by identifying key requirements for each stage of corporate activity—product planning, product development, manufacturing, sales, and responding to customers—we are constantly pursuing new heights of customer satisfaction. Drawing on the valuable opinions received from customers, we are taking steps to properly ascertain customer needs, which are then reflected in the development of products.

Fair Operating Practices

In the Lion Group Charter for Corporate Behavior and Action Guidelines, Lion has stipulated compliance with relevant laws and regulations; fair, transparent, and free competition; fair trade; and maintenance of healthy and normal relationships with political and administrative organizations, as part of its Compliance with Social Rules. In addition, various efforts such as providing individual training to relevant departments have been made.

Human Rights

Lion has stipulated "Respect for Human Rights" in the Lion Group Charter for Corporate Behavior and Action Guidelines. Moreover, the Company's Behavioral Guidelines refer to the human rights of suppliers. In 2009, we declared our intention to support the 10 principles of the United Nations Global Compact to clarify our stance towards respecting human rights.

Labor Practices

Having valued Lion's founder's idea of "Employees are partners in the Company," Lion respects the individuality and personality of all employees and helps them to hone their skills and abilities and maintain their physical and mental health.

The Environment

Environmental initiatives are essential for a company like Lion that provides products for day-to-day living. Aiming to be a leading company in environmental friendliness, Lion continues to promote Eco Lion Activities, which are Company-wide environmental conservation activities. Our ongoing efforts in environmental protection will contribute to the creation of a sustainable, low carbon, and recycling-oriented society, and will help to promote coexistence with nature.



Organizational Governance

Lion's top priorities for corporate governance are increasing management transparency, improving the efficiency of supervision and decision making, and ensuring compliance. By strengthening and improving its corporate governance system, Lion aims to enhance its corporate value.

Corporate Social Responsibility (CSR)

The Board of Directors and Executive Committee

The Board of Directors is in charge of the responsibility of determining Company-wide objectives and targets while also drawing up management plans to ensure that these objectives and targets are achieved. The Board of Directors is comprised of 10 members, two of whom are appointed from outside the Company. Board of Directors' meetings are held regularly once a month, with extraordinary meetings convened as and when necessary. Additional responsibilities of the Board of Directors include making decisions on key management matters and supervising the conduct of duties by directors and executive officers. The term of office of each director is one year.

In order to enhance objectivity and transparency, compensation paid to directors is determined by the Board of Directors based on the recommendations of the Compensation Advisory Committee.*

Board of Corporate Auditors

In accordance with standards relating to the conduct of audits by corporate auditors and auditing policies established by the Board of Corporate Auditors, each corporate auditor attends meetings of the Board of Directors and other important meetings, monitors the execution of the specific duties of each director, implements on-site audits of Lion's Head Office and major work sites, and conducts audits of subsidiaries and affiliates. In addition, corporate auditors meet twice a year with representative directors to exchange opinions.

The Board of Corporate Auditors serves as a coordinating entity, undertaking a variety of activities, including the exchange of opinions regarding the audit reports submitted by the independent auditing firm and Auditing Office, which is in charge of internal auditing.

The Total Amounts of Compensation Paid to Directors and Corporate Auditors for Fiscal 2012

Category	Total Number of Officers (Number of External Officers)	Total (Figures in parentheses represent the amount paid to external officers) (Millions of yen)
Directors	14 (2)	362 (22)
Corporate Auditors	4 (2)	75 (22)
Total	18 (4)	437 (44)

The Status of Major Activities of External Directors and External Corporate Auditors

Status	Name	Attendance at Board of Directors' Meetings	Attendance at Board of Corporate Auditors' Meetings	Major Remarks and Contributions
External Directors	Mitsuaki Shimaguchi	Attended 17 of 17 meetings	—	Provides informed opinions about overall business management policies with a view to ensuring proper and appropriate decision making
	Hideo Yamada	Attended 16 of 17 meetings	—	Provides informed opinions, principally regarding the Group's risk management and compliance systems
External Corporate Auditors	Hideo Doi	Attended 17 of 17 meetings	Attended 12 of 12 meetings	Provides informed opinions with a view to ensuring the appropriateness of management, primarily in relation to finance and accounting
	Sumiaki Nomura	Attended 17 of 17 meetings	Attended 12 of 12 meetings	Provides informed opinions with a view to ensuring the appropriateness of management, primarily in relation to tax matters

Executive Officer System

Attended by all executive officers, the Executive Committee meets once a month to ensure that the execution of duties is conducted in a timely manner and to strengthen the function of the Board of Directors. At the same time, the Executive Committee serves to promote expeditious decision making with respect to both fundamental and important matters as they apply to business execution. There are currently 14 executive officers, seven of whom hold the concurrent position of director. The term of office of each executive officer is one year, which equates to the term of office of directors.

Management Evaluation Committee

Composed of seven knowledgeable persons from outside the Company, this committee meets twice each year and was set up to enable Lion to draw on the evaluations and opinions of its members and reflect these in the Company's overall management. Matters addressed by this committee include the corporate governance system, the direction of business and product development, the approach to corporate social responsibility (CSR), and other matters.

Compensation Advisory Committee*

This committee was formed to increase the objectivity and transparency of matters related to executive compensation. The committee is comprised of the Company's two external directors and two external auditors for a total of four independent officers.

Risk Management

Lion has appointed an officer responsible for overseeing risk as a part of exhaustive and comprehensive efforts to manage risk across the Group as a whole. In particular, steps are taken to ensure that individual committees relating to such wide-ranging areas as the environment, quality assurance, accidents, and disasters consider all necessary risks and countermeasures in advance. The risk management process also entails deliberation by the Executive Committee as and when required. Moreover, each plant has acquired ISO 14001 certification and is actively engaged in quality management and environmental protection activities.

In the event of a natural disaster or accident, and in accordance with the Emergency Response System, steps are taken to collect all relevant information, formulate response policies and measures, and clarify causes. Details are then reported to the Board of Directors.

Turning to business continuity plans, Lion has bolstered alternative arrangements for the execution of headquarters functions as well as the functions for receiving orders at the time of a disaster. Moreover, the Company has strengthened measures for arranging backup production in the event of a plant shutdown and securing adequate inventories to ensure the continuous supply of products.

Bolstering Internal Control Systems

Systems and provisions have been put in place to ensure the appropriateness of Lion Group operations in accordance with Japan's Companies Act and the Ordinance for Enforcement of the Companies Act.*

With regard to systems for evaluating and auditing internal control over financial reporting, as prescribed in Japan's Financial Instruments and Exchange Act, Lion and the rest of the Lion Group have been establishing controls at the Company-wide and business-process levels since July 2006. In December 2008, the Board of Directors passed a resolution on the basic policy concerning internal control over financial reporting.

Evaluations of internal control effectiveness are carried out by the Auditing Office, which reports findings to the president and corporate auditors, as well as on a regular basis to the Board

of Directors. In the event of an inadequacy, details of items requiring improvement are communicated to concerned divisions and the progress of improvements verified.

In 2011, Lion's internal control over financial reporting was deemed effective. A report on internal controls was submitted to the Prime Minister in March 2012 together with the Company's securities report.

* Basic policy of Internal Control Systems
URL <http://www.lion.co.jp/ja/invest/corporate/system/>

Enhancement of Information Disclosure

Relationship with Shareholders

An annual general meeting of shareholders is held each year at the end of March at the Kokugikan (Ryogoku, Tokyo). Attendance at the 2013 meeting was 2,105 people, hitting a record high. Many questions were asked by shareholders during the meeting, and afterwards they had the opportunity to meet with directors and view a display of new products to gain a better understanding of the Company.

Close communication with shareholders is also advanced through the *Lion Letter* and reports to shareholders containing information on earnings, new products, and other matters, which are sent out in September and March, respectively.

Relationship with Investors



Lion discloses information through the Internet and conducts various IR events, including earnings briefings, to ensure that corporate information is communicated in a precise, fair, and timely manner to investors in Japan and overseas. In 2012, 19 Company briefings for individual investors were held across Japan, attended by 2,100 investors. The opinions received at each Company briefing have been reflected in our business activities through feedback to our directors and employees.

Directors, Corporate Auditors, and Executive Officers

As of March 28, 2013



Representative Director and
Chairman of the Board of Directors
SADAYOSHI FUJISHIGE
Chief Executive Officer



Representative Director and President
ITSUO HAMA
Executive Officer, Chief Operating Officer
Responsible for Risk Management



Director, Executive Officer
TAKAYASU KASAMATSU
Responsible for Corporate Ethics, Secretary, Finance,
Personnel, General Affairs, Corporate Communication
Center, Consumer Service Center, Legal and
Pharmaceutical Affairs



Director, Executive Officer
YUJI WATARI
Responsible for Purchasing Headquarters, Production
Headquarters, Logistics Planning & Development,
System, Quality Assurance Department, Business
Coordination and Production Engineering Research
Center



Director, Executive Officer
MASAZUMI KIKUKAWA
Responsible for Health and Home Care Products Division,
Gift and Channel-Specific Products Division, Executive
General Manager of Health and Home Care Products
Division, Responsible for Advertising, Behavioral Science
Research and Distribution Policy Department



Director, Executive Officer
KENJIRO KOBAYASHI
Responsible for General Overseas Matters and
Executive General Manager of International Division



Director, Executive Officer
YASUO SHIMIZU
Executive General Manager of Health and Home Care
Products Sales Division



Director, Executive Officer
TOSHIO KAKUI
Responsible for Chemicals Division, Executive General
Manager of Research & Development Headquarters
Responsible for Intellectual Property



External Director
MITSUAKI SHIMAGUCHI
 (Professor Emeritus of Keio University)



External Director
HIDEO YAMADA
 (Attorney at Law)

The notification of the nomination of Mr. Mitsuaki Shimaguchi and Mr. Hideo Yamada as independent directors has been sent to the Tokyo Stock Exchange.



Standing Corporate Auditor
SHINJIRO IWAHORI



Standing Corporate Auditor
SHOZO HANADA



External Corporate Auditor
HIDEO DOI
 (Certified Public Accountant)



External Corporate Auditor
SUMIAKI NOMURA
 (Certified Tax Accountant)

The notification of the nomination of Mr. Hideo Doi and Mr. Sumiaki Nomura as independent directors has been sent to the Tokyo Stock Exchange.

Substitute Corporate Auditor
FUMIO TAKAHASHI
 (Certified Public Accountant)

Executive Officers
TAKEO SAKAKIBARA
 President of Lion Trading Co., Ltd.

SADAO HAMADA
 Executive General Manager of Gift and Channel-Specific
 Products Division and Director of Gift and Channel-
 Specific Sales Department

HIDEYUKI IMAI
 Director of Behavioral Science Research Institute

TAKASHI NAKAJIMA
 Executive General Manager of Purchasing Headquarters

ATSUSHI SEKI
 Executive General Manager of Chemicals Division

FUMIHIRO MIKUCHI
 Executive General Manager of Production Headquarters
 and President of Lion Chemical Co., Ltd.

SHU KAWAZOE
 President of Lion Hygiene Co., Ltd.

Messages from the Board of External Corporate Auditors

External Corporate Auditor

Hideo Doi

(Certified Public Accountant)



I think my role is to draw on my professional knowledge and experience as a certified public accountant to audit the conduct of duties by the Directors. As I perform this function, I also pay sufficient attention to what is taken to be common sense within Lion and what is regarded as not in accord with common sense by people outside Lion. My role also includes voicing my opinions when necessary to ensure that decisions made by the Company take due account of the interests of shareholders and monitoring the appropriateness of the conduct of duties by the Directors.

My opinion is that, under Lion's corporate governance system, objective opinions and advice provided by third parties, including external directors and external auditors as well as knowledgeable persons and others, are respected, and appropriate initiatives are taken to reflect these ideas in the management of the Company and work to increase corporate value. Quick and responsible management decisions are an essential element for a strong organization to enable it to reach its targets. When such judgments can be made based on a rapid grasp of circumstances and issues in the workplace as well as policies adopted to deal with them, it will be easier for business to proceed much faster at the working level. We anticipate that this will also give rise to a strong will and drive to honor promises and enable the organization to evolve to become confident and proud and allow it to always reach its targets.

External Corporate Auditor

Sumiaki Nomura

(Certified Tax Accountant)



Companies have their distinctive cultures that have been created over the course of many years of business activities. I believe that corporate cultures are a source of pride and support for those who work in those companies.

As a certified tax accountant, I have encountered many companies. Based on my experience, I think that Lion is a company with a truly excellent corporate culture that takes as its motto making everyone in the world happy and contributing to society. Corporations obviously must work to generate profits, but that alone will not make people happy. The support that comes from doing something that benefits people and society as we pursue profitability—or, in other words, a high-quality corporate culture—is absolutely necessary.

Based on these thoughts, I intend to do my very best as external corporate auditor to support Lion's further growth and development.

Human Rights

Respecting Human Rights of All People Involved in Lion

Framework to Ensure Respect for Human Rights

In the event that any problem related to human rights, such as child labor, forced or compulsory labor, or racial discrimination, is confirmed during an internal audit, we work to understand the facts and confirm whether our framework to deal with these problems is functioning.

In addition, we have a system in place to confirm the facts and deal with them through a reporting system, which is also available to our business partners.

With questionnaires for CSR procurement, we have checked whether our business partners have policies that promote respect for human rights and the elimination of discrimination, and the extent to which they are conscious about human rights. If necessary, we require them to improve the situation.

Contact for Consultation and Internal Reporting

An internal reporting system, the AL (All Lion) Heart Hotline, has been set up as a point of contact for employee consultation for instances of non-compliance that have been uncovered and for which reporting cannot or should not be made through normal channels. A pamphlet distributed to all employees, including temporary employees, informs them about the system and the rules for use, such as instructions for making contact and prohibition of unfair treatment of employees using the system. Business partners can also use the hotline, and contact information is available on the Company's website.

In 2012, there were seven instances of consultation or reporting, but no instances of grave misconduct were found.

Labor Practices

Creating a Bright and Dynamic Workplace

Human Resource Diversity

Lion has made efforts for promoting human resource diversity in light of major changes in the composition of its workforce and the need to respond swiftly to changes in the business environment.

The Diverse Human Resource Promotion Committee was set up in 2010, which plans and formulates personnel measures for promoting the active participation of diverse human resources.



Female Employees' Subcommittee

Promoting Work-Life Balance

Lion strives to build an environment where employees can work dynamically and deliver results, while placing value on maintaining an optimal balance between their working and private lives. To this end, the Company has put in place a variety of programs encompassing such areas as child and nursing care.

Safety and Disaster Prevention Initiatives

Based on the principle of "safety first," Lion has established its unique "Health, Safety, and Disaster Prevention management system" for Group companies, including a domestic affiliate. We set up a Disaster Prevention Meeting, which consists of representatives from the production, R&D, administrative, as well as sales divisions, where employees and managers work in unison to strengthen and improve measures for safety and disaster prevention. Through this meeting, Company-wide policies, targets (zero serious accidents and disasters), annual plans, and achievements are managed and promoted.

The Environment

A Leading Company in Environmental Friendliness Promoting a Sustainable Society

Environmental Guidelines

Lion's Environmental Guidelines adhere to the spirit of the Lion Group Charter for Corporate Behavior and Action Guidelines, which states: "We shall play a positive and active role in creating a sustainable society, harmonizing economic development and environmental protection." The Environmental Guidelines are a clear statement by the Company to take the initiative with respect to Eco Lion activities and develop eco-friendly products, to engage in business activities with due consideration to the air and water environments as well as biodiversity, and to lower environmental impact across the entire supply chain.

Environmental Management Structure

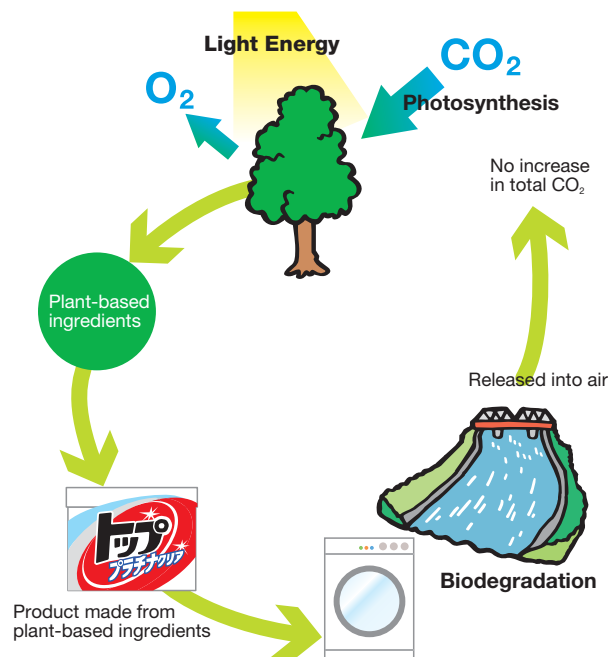
Lion has established an Environmental Action Promotion Committee comprising members from the production, administrative, sales, R&D, as well as headquarters staff divisions, in order to coordinate and promote cooperation regarding environmental matters among all employees. The committee reviews Company-wide business activities from an environmental protection perspective and takes steps to ensure legal compliance and the setting of voluntary standards and targets in addition to ascertaining progress.

Environmental Management System

The purpose of the Lion Group's environmental management system is to identify, evaluate, and rectify any adverse effects on the environment associated with its business activities, products, and services, and to facilitate ongoing improvements in the Group's environmental protection activities. We are working to achieve ongoing improvements through the implementation of a plan-do-check-act (PDCA) cycle in line with our Environmental Guidelines.

Systems for environmental management and reporting activities have been enhanced with the aim of bolstering the Group's global environmental response capabilities. As a result, we have taken steps to ascertain overseas affiliated company data and to post information on our website since 2010.

Carbon Neutrality



Sustainable Use of Resources

Methyl ester sulfonate (MES) and methyl ester ethoxylate (MEE), unique surfactants developed by Lion, are raw materials of detergents derived from reproducible plants, which can contribute to the restriction of CO₂ emissions.

After use, surfactants, including detergents, are decomposed by microbes in the environment to become CO₂ and water. As plants grow, they absorb CO₂ in the atmosphere. Therefore, even when surfactants made from plant-based ingredients decompose emitting CO₂, there is no increase in the amount of CO₂ in the air. This is referred to as carbon neutral. Moving forward, we will endeavor to use plant-derived materials.

Mitigating and Adjusting to Climate Change

Looking beyond the Kyoto Protocol, the Lion Group set the high goals of reducing CO₂ emissions by 30% or more in 2012, and 40% or more in 2020 compared to the level of 1990. At Lion, each employee is committed to reducing CO₂ emissions.

As a result, CO₂ emissions were reduced about 30% in 2012 compared to the level of 1990.

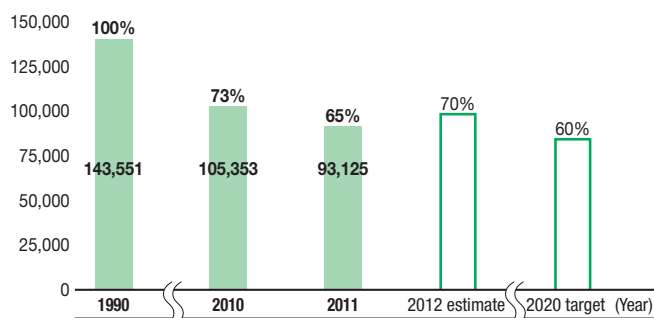
Water Resource Use and Biodiversity Conservation

Lion has assumed a leading role in tackling water environmental issues, such as biodegradation and the eutrophication of waterways linked to the use of detergents, and has considered biodiversity conservation at each stage from raw material procurement to disposal.

We will make efforts putting first priority on consideration towards biodiversity and the water environment.

CO₂ Emissions Reductions and Targets

(tons) Energy-derived CO₂ emissions



Fair Operating Practices

Conducting Thoroughly Fair Business Activities in Compliance with Social Rules

Promoting Compliance

The Corporate Ethics Committee, chaired by the director responsible for corporate ethics, works to foster compliance awareness within the Lion Group.

The basis for compliance is the Lion Group Charter for Corporate Behavior and Action Guidelines. This is distributed in pamphlet form to all people working for the Lion Group and is publicly available via Lion's website. An annual program of employee awareness surveys and regular educational activities is also implemented, the latter including e-learning, lectures by outside speakers, and various training courses conducted at each workplace and according to rank.

CSR-Based Procurement Initiatives for Value Chains

Lion carries out the appropriate procurement of raw materials and finished products in keeping with its Purchasing Activity Principles and has promoted the development of a supply chain management system.

In 2008, we formulated the Procurement Principles, a set of CSR procurement guidelines clarifying social and environmental considerations.

Looking ahead, we will work hard to ensure that business partners are fully conversant with the Procurement Principles while strengthening efforts to ascertain the status of CSR activities.

Respect for Intellectual Property Rights

As a basic policy related to intellectual property, Lion has stipulated the following provision in the Action Guideline: "We strive to create, appropriately protect, and proactively use intellectual properties, respect intellectual property rights of others, and avoid improper acquisition and use of the rights."

We established a department specialized in intellectual property to check that the rights are properly used without infringing on the rights of others.

Consumer Issues

Developing Safe and Reliable Products that Respond to Customers' Demands

Developing Safe and Reliable Products

In product planning, we strive to fully comprehend the valuable opinions received from customers in an effort to identify customers' needs. In product development, the quality of developed products is verified with respect to seven parameters, including function and performance. Furthermore, we endeavor to provide clear, easy-to-read labeling for customers.

Quality is managed at each stage of the manufacturing process. Products that have passed inspections are shipped with data identifiable for each lot. This initiative is effective in after-sale management.

A wealth of information is relayed through explanations about our products and the supply of samples to wholesalers and retailers.

Appropriate Information Provision

In order to provide information that customers need in an unbiased and appropriate manner, we have a system in place through which several departments check the labeling of products and advertisements.

Turning to activities outside Japan, we indicate usage and ingredients in the local language, in compliance with laws and regulations of the sales area to facilitate customers' accurate understanding about the features of our products.

Examples of KireiKirei Hand Soap Labeling



Thai



Korean



Chinese

Approach to Safety and Reliability

Lion evaluates the safety of raw materials and safety during product use to ensure customer peace of mind.

Safety of Raw Materials

Use of raw materials is determined only after verifying safety, and only after implementing sample evaluations and supplier surveys in order to ensure a predetermined level of quality. Before use, raw materials undergo quality inspections using parameters and testing methods according to specific categories, including drugs and food; quasi-drugs and cosmetics; and miscellaneous products.

Safety during Product Use

Considering our customers' various usage styles as well as their sensitivities and physical characteristics, Lion conducts safety evaluations of its products based on a policy of averting risk through product design.

Evaluation check sheets are employed to confirm whether safety has been achieved through product design, ranging from "normal use" cases to "mistaken use" cases. Even for "irregular use" cases, we evaluate whether risk has been minimized and whether the risk is acceptable. The evaluation results are reflected in product safety, for example, with the inclusion of sufficient warnings on labels where necessary.

Information Security

Lion has established a number of guidelines and regulations to prevent information leaks. They are a basic information management policy, information management regulations, privacy regulations, information security regulations, and guidelines for the management of information technology and equipment. Employees also undergo e-learning programs each year to enhance their awareness towards the prevention of leaks.

Lion has established a privacy policy and specific guidelines for the management of personal information in accordance with Japan's Act on the Protection of Personal Information enacted in April 2003. The Company has been implementing these in a proper manner while pushing ahead with the establishment of related in-house systems and education programs.

Community Involvement and Development

Bettering Society and Lifestyles in Local Communities through Health, Comfort, and the Environment

Social Contribution Activities through the Lion Foundation for Dental Health

Under the consistent philosophy of “returning benefits from corporate activities to society” since its founding, Lion has been conducting oral care promotion and education activities since 1913. The Lion Foundation for Dental Health (LDH) was founded in 1964 under the approval of the Ministry of Health and Welfare of Japan, and was recognized as a public interest incorporated foundation by Japan’s Cabinet Office in 2010. LDH continues to contribute to society in the front line of oral health, leading to a better quality of life for all people, by maintaining and improving the dental and oral health of ordinary citizens through three projects that encompass such fields as oral health promotion, research and investigation, and education and training, in cooperation with dental associations, universities, government authorities, and other parties. Lion has provided full support for these activities.

Information concerning the importance of dental and oral health and tooth brushing is needed by people all over the world. LDH hopes to share its long-cultivated oral health activity programs and teaching expertise with people in Japan and

overseas. In proactive cooperation with dental experts mainly in Southeast Asian countries, LDH intends to globally work on and contribute to improvements in oral health.



A school-age children's teeth brushing event (2012)

Protection of Water Resources

Lion is inherently linked to water through the delivery of various kinds of detergent products. Therefore, we have a responsibility to protect the water environment, for example, by taking into consideration the environment in the development of our products. In particular, we focus on promoting the use of rainwater—a water resource we are all familiar with—and forest maintenance activities at the Lion Forest in Yamanashi, which plays a major role in the protection of water resources.



School-age children's teeth brushing event broadcast on the Internet in South Korea

TOPICS Lion's Principal Contributions to Society

Rainwater Utilization Idea Contest:

- A Contest for Schoolchildren to Suggest Ways of Promoting the Use of Rainwater—"Rainwater Harvesting"

To encourage people to think more about the effective use of rainwater, which is a relatively unused source of water, Lion began its "Rainwater Utilization Idea Contest" in 2011 for primary and middle-school pupils in Japan. We are collaborating on this contest with an NPO based in the Sumida Ward area of Tokyo, where Lion's head office is situated.



Lion Forest in Yamanashi:

- An Activity Conducted to Promote Sustainable Forest Management

Lion established the "Lion Forest in Yamanashi" in 2006 and has positioned it as a place for field activities that will raise environmental awareness among employees. Objectives include protecting water resources, expanding the natural absorption of CO₂, the preservation of biodiversity, and encouraging community-linked activities.



TOP Eco-Project

- Initiatives to Promote Preservation of Water Resources through Lion Products

Lion has conducted its TOP Eco-Project, which is linked to its TOP brand laundry detergent. Activities in the project include a funding program entitled "Japan Clean Water Foundation Campaign". For each product of TOP Platina Clear sold, Lion donates ¥1 to assist in the protection of river environments. From 2008 to 2012, the fund provided support totaling over ¥52 million.



Column

Introducing the Lion CSR Report

Lion views its CSR Report as an important tool allowing the Company to communicate its CSR initiatives and draw on stakeholder opinions while furthering corporate activities.

Lion issued its Japanese-language CSR Report 2012 in June 2012. The English-language edition of this report was posted on the Company's website in November 2012.



www.lion.co.jp/en/csr/



Research and Development

Lion's R&D Policy and Core Technologies

Lion's R&D divisions have selected strategic themes that will contribute to attaining the objectives of "Vision 2020." As these divisions tackle the challenges of meeting high R&D objectives and developing new technologies, they are proceeding with technological innovation and development of new products.

Lion's core technologies encompass four fields: namely, oral care science, surface science, life science, and materials science. The fields where Lion has the longest history of its R&D are oral care science and surface science.

In the field of surface science, Lion has conducted R&D activities for more than 120 years and has led the field as a pioneer in developing new detergents and related products. In recent years, to respond to the need for eco-friendly products, Lion has developed plant-based surfactants derived from palm oil. These surfactants have drawn worldwide attention because of their detergency and biodegradability. In addition, Lion is working aggressively and steadily on a day-by-day basis on the development of laundry technologies of the future that will not necessarily require the use of surfactants.

In the field of oral care science, Lion is building on its R&D findings that have been accumulated over a period of more than 100 years and is working with outside R&D institutions and others to clarify the effects that the intraoral environment has on the health of the whole body. Lion is also combining

a broad range of in-house and outside technologies, primarily together with oral care science technologies, to create new value-added products in many fields, ranging from oral care products to food products and pharmaceuticals.

Lion's R&D Organization

Lion's Development Research Laboratories includes laboratories that are focusing on the development of oral care, fabric care, pharmaceutical, and other products. These laboratories work closely with Lion's product planning divisions to move ahead together for the development of new products.

Lion's Applied Research Laboratories works to discover the buds for new technologies and materials through the use of surface science, life science, and other scientific knowledge, and then conducts research to apply these findings to product development.

The Research Supporting Laboratories provides support to the two laboratory divisions mentioned previously by making assessments of the safety of products vis-à-vis the human body and the natural environment as well as conducting research that makes use of cutting-edge qualitative and quantitative analytic technologies. It is also responsible for enhancing product value added by developing technologies related to fragrances, flavors, and packaging. The Production Engineering Research Center also provides support by developing manufacturing technologies that link R&D results to commercial production.

R&D Center Redevelopment Concept and Implementation of Phase II



Under Phase II of Lion's R&D center redevelopment plan, which aims to strengthen Lion's knowledge about R&D and production technologies as well as strengthen consumer research, new R&D facilities are scheduled to open in 2013. The redevelopment concept will go beyond integrating Lion's various laboratories and will include promoting interchange among Lion's R&D laboratories, closer collaboration with Lion Group R&D centers in Asia, maximizing synergies throughout the Lion Group, and speeding up R&D activities.

Management's Discussion and Analysis

Lion Corporation and Consolidated Subsidiaries

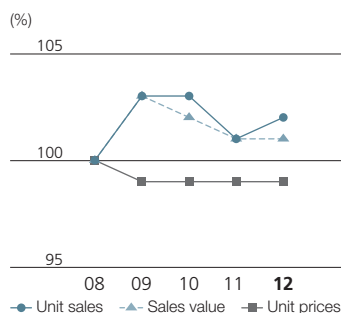
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Lion Corporation's Consolidated Financial Statements and
Notes to Consolidated Financial Statements can be accessed at:
<http://www.lion.co.jp/en/invest>

MARKET ENVIRONMENT

Trends in Home Products Market (YOY)*



* INTAGE Inc., SRI Survey
42 markets in which Lion operates

2013 GDP Growth Forecasts for Countries in which Lion Has Operations

	Growth rate (vs. 2012) (%)
Thailand	5.9%
Singapore	3.0
Malaysia	4.7
Indonesia	6.3
Philippines	5.0
South Korea	3.7
China	8.1
Hong Kong	3.5
Taiwan	3.9

Source: Mitsubishi Research Institute forecast
(As of December 2012)

During fiscal 2012, conditions in the Japanese economy remained uncertain as consumer prices continued to decline moderately, while personal consumption and corporate profitability, which had been showing improvement, began to weaken. Near the end of the fiscal year, as a new coalition government came to power, the prospects of changes in the direction of economic policy were welcomed. Along with this, the value of the yen depreciated, and stock prices began to increase, giving rise to expectations of improvement in the real economy.

In the domestic daily necessities industry, which is the focus of the Lion Group's business operations, 2012 was a year characterized by continued intense competition at the retail store level, which created challenging conditions in the business environment.

In the domestic market for daily necessities, Lion has a presence in 42 of these, and, in recent years, retail prices have been on a steady decline of about 1% a year. On the other hand, the unit sales in these markets have expanded between 1% and 3% annually because the number of households in Japan has increased, new high-value-added products have been launched that are cultivating new markets, and, in the market for laundry detergents, the ratio of refills to total sales has risen along with the rising percentage accounted for by liquid detergents.*¹ As a result, the sales value in these markets has expanded between approximately 1% and 2% annually, with an increase of 1% reported in 2012.*¹

Looking back at market conditions in 2012, during the first half of the year, market prices of laundry detergents, fabric softeners, and bathroom cleaners declined, in reaction to the effects of the Great East Japan Earthquake in 2011. Also, unseasonable weather conditions brought weakness in sales of antiperspirants. During the latter half of the year, although retail prices of household and toilet cleaners increased, retail prices of laundry detergents and certain other items decreased because of competition at the retail store level. As a result, overall sales value in the 42 markets where Lion has a presence showed a slight increase.

An examination of individual markets shows that in the market for laundry detergents, which is a major domestic market for Lion, prices of super-concentrated liquid laundry detergents were virtually level with the previous year, but sales in unit volume terms expanded significantly, resulting in expansion in monetary terms of 29%. On the other hand, reflecting intense retail price competition, prices of conventional liquid laundry detergents and powdered detergents decreased, and, as a consequence, the average retail price of laundry detergents declined to an average of 97% of the previous year's level.

In the oral care products market, sales ranges polarized toward two extremes, with sales of toothpastes selling for ¥500 or more rising 6.3% over the previous year and those with retail prices of ¥100 or less rising 4.6%.*² As a consequence of bipolarization in the market, sales in the price range where Lion is strong, the economy-priced range from ¥150 to ¥249, decreased 11.1%, and the share of the market accounted for by this sales range shrank in size.*²

In the OTC pharmaceutical market, where Lion has a presence in eight of the market segments, retail prices, unit sales, and sales value have continued to decline for the last three consecutive years. In 2012, retail prices and unit sales were 99% of the previous year's level, and sales value was 98% of the previous year's level.

In overseas markets, steady economic growth continued in the countries where the Group has a business presence, and, as a result of the growing awareness among consumers of cleanliness, the markets for daily necessities expanded. In addition, along with expansion in the middle-income class in these countries, demand for high-value-added products is rising.

Note that since September 2012, in spite of changes in the domestic situation in China, the impact on the Group's financial performance was not material.

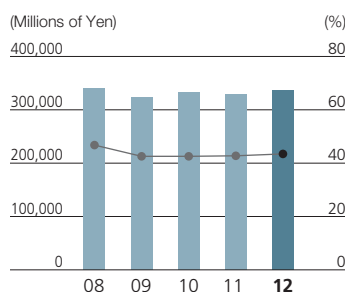
*1 2012 INTAGE Inc., SRI Survey

*2 According to Lion's classification

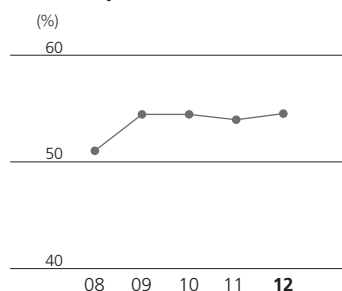
*3 Figures are all based on Lion research.

SALES AND OPERATING INCOME

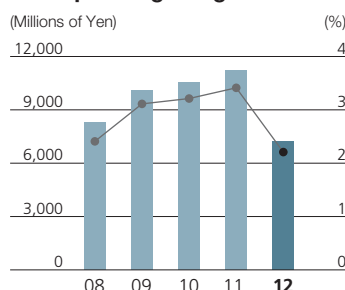
Net Sales and Cost of Sales Ratio



SG&A Expenses to Net Sales



Operating Income and Operating Margin



Amid the market conditions previously mentioned, the Group has announced a New Management Vision "Vision 2020" and has begun to implement the first of three three-year medium-term plans, "V-1 Plan (Vision 2020, Part 1)," to make progress toward attaining its vision.

In domestic business activities, the Group has launched new, high-value-added products in its core brand lines within its oral care and fabric care fields as well as conducting active advertising and other marketing activities. Also, in the living care fields, the Group has launched highly original new products that offer consumers suggestions for new lifestyle value.

Moreover, the Group is working to strengthen its product development systems for functional food products (what are sold through direct-to-consumer channels) and expanding marketing investment to secure business growth.

In its overseas business activities, the Group is striving to further nurture its major brands in key fields, such as oral care and laundry detergents, focusing on Thailand and South Korea. Aggressive investments are being made in expanding production capacity in Thailand and Malaysia. Also, the Group has established a joint venture in the Philippines and is making preparations to expand the areas where it conducts business.

As a result of these activities and developments, the Group's consolidated net sales in fiscal 2012 were ¥335,171 million, an increase of 2.3% year on year, while operating income decreased 35.4%, to ¥7,213 million. The decline in operating income was due to increases in advertising expenses to cultivate the Company's brands, and to promote its new corporate message. Other factors were increases in sales promotion expenses in domestic business activities, accompanying increasing competition at the retail store level, a decline in sales of certain high-margin items because of unseasonable weather, and other factors.

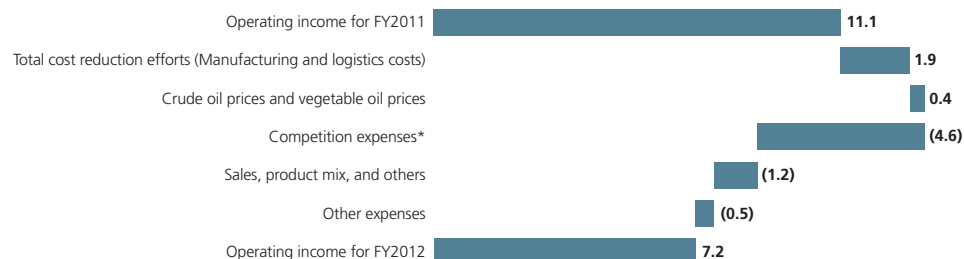
SG&A Expenses Breakdown

	2012		2011		2010	
	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales	Amount (Millions of yen)	% of net sales
Selling, general and administrative expenses	¥182,572	54.5%	¥176,684	53.9%	¥180,200	54.4%
Sales incentive expenses	16,673	5.0	16,706	5.1	16,821	5.1
Sales promotion expenses	71,229	21.3	69,160	21.1	72,885	22.0
Freight and storage expenses	15,810	4.7	15,058	4.6	14,981	4.5
Advertising expenses	24,724	7.4	22,128	6.8	21,702	6.6
Salaries and allowances	12,999	3.9	12,915	3.9	13,062	3.9
R&D expenses	8,989	2.7	8,913	2.7	8,910	2.7
Other	32,146	9.6	31,804	9.7	31,839	9.6

Management's Discussion and Analysis

Factors Impacting Operating Income in Fiscal 2012

(Billions of Yen)



* Competition expenses are comprised of sales incentive, sales promotion, and advertising expenses.

OPERATING REVIEW BY SEGMENT

The Group's business segments are classified by product and service, based on operating divisions and subsidiaries, and by geographical area. Its four reporting segments are Consumer Products, Industrial Products, Overseas, and Other.

Note: Net sales include internal net sales within and among segments.

Reporting segments are as follows:

Consumer Products Business

Lion manufactures and sells daily necessities, over-the-counter (OTC) pharmaceuticals, functional food products, and other products mainly in Japan. Principal products include toothpaste, toothbrushes, hand soaps, antipyretic analgesics (for fever and pain relief), eyedrops, tonics and nutrients, insecticides, laundry detergents, dishwashing detergents, fabric softeners, household cleaners, bleaches, gift items, functional food products, and pet supplies.

Industrial Products Business

The Group manufactures and sells chemical intermediate materials in Japan and overseas, products for institutional and other industrial uses, and other items. Principal products include activators derived from oil and fats, electro-conductive carbon, detergents for institutional use, and other items.

Overseas Business

The Group's overseas subsidiaries and affiliates are primarily engaged in manufacturing and selling daily necessities.

Other

The Group's subsidiaries in Japan are primarily engaged in activities related to businesses of the Group. Principal products and services include construction, management of real estate, transportation and storage, human resources services, and other activities.

Consumer Products Business

	Millions of Yen					
	FY2012	% of segment sales	FY2011	% of segment sales	Change	
					Amount	%
Net sales	¥266,042		¥262,381		¥3,660	1.4%
Operating income	4,304	1.6%	8,760	3.3%	(4,455)	(50.9)

Net Sales by Business

	Millions of Yen			
	FY2012	FY2011	Change	
			Amount	%
Oral Care business	¥52,917	¥50,836	¥2,080	4.1%
Beauty Care business	20,374	22,804	(2,430)	(10.7)
Fabric Care business	80,596	79,579	1,016	1.3
Living Care business	21,851	23,198	(1,346)	(5.8)
Pharmaceutical business	37,193	38,444	(1,250)	(3.3)
Other	53,108	47,518	5,590	11.8

Lion's Major Toiletry Products Fields and 2012 Market Positions in Japan

	Billions of Yen Market Size in Japan	Lion's Market Position
Toothpastes	¥ 76	1
Toothbrushes	43	1
Liquid hand soaps	19	1
Laundry detergents	129	3
Fabric softeners	74	3
Dishwashing detergents	45	3

Source: 2012 INTAGE Inc., SRI Survey, on the basis of sales value

Note: Figures for market size presented above are based on retail sales data and do not include sales of gift packages.

Oral Care Business

Japanese consumers are moving toward two biopolar groups: Those who say “when it comes to my health and comfort, I prefer good quality products that are suited to me, even if they are expensive” and those who say “if a product has the bare minimum of functions I need, I prefer inexpensive products.” For example, sales of more-expensive toothpastes, with retail prices of ¥500 or more, have been expanding, and they rose to account for about 35% of the market in 2012.* Lion's sales of its more-expensive toothpastes in its *Dent Health* and *Hitect* brand lineups expanded 14% over the previous year in 2012.*

* Result of Lion research

Lion is working to increase the brand value of its *Clinica* and *Dentor Systema* brand lineups that have ¥10 billion or more in annual sales. Lion also launched new products, including *Dentor Systema Toothpaste Sensitive Care*, for consumers who want to avoid suffering from hypersensitivity and periodontal disease, and, in the *platus* brand line, *platus beautiful teeth essence*, a dental rinse. As the No. 1 oral care products manufacturer in Japan, Lion responds to a wide range of consumer needs by offering a brand formation that covers all price ranges.

Beauty Care Business

Along with epidemics of new influenza strains and norovirus, consumers have become more concerned about disease prevention. Along with this trend among consumers, the demand for hand soaps has expanded as more consumers have adopted the custom of frequent hand washing to prevent disease. *KireiKirei* is now the No. 1 brand among hand soaps in Japan,^{*1} and sales of *KireiKirei Medicated Foaming Hand Soap* have continued to be favorable. In addition to performing well with their basic functions of killing germs and washing away dirt and grime, Lion has introduced new versions with an improved rinsing function, and these have been well received by consumers. In the hand soap market, foaming products have come to account for more than 60%^{*2} of the market, and consumers are continuing to shift from the liquid to the foaming types. Compared with liquid types, foaming hand soaps offer improved functions and are positioned as high-value-added, premium-priced products. In addition, another development in the hand soap market is the increase in sales of products that feature fragrances. In response, Lion has increased its lineup of fragrant hand soaps to three, with the aim of satisfying a wider range of consumer needs and tastes and thereby increasing brand value and market share.

^{*1} 2012 INTAGE Inc., SRI Survey

^{*2} Result of Lion research

Fabric Care Business

Sales of liquid laundry detergents have risen, and they accounted for more than 60%^{*1 *2} of Japan's detergent market in 2012, thus exceeding the share of the market accounted for by powdered detergents*. In addition, the share of super-concentrated liquid detergents in the overall detergent market climbed above 20%^{*1 *2} in 2012, in part because of the introduction of *TOP HYGIA*, a super-concentrated liquid laundry detergent, which was launched in July 2012. Sales of *TOP HYGIA* exceeded the planned levels and attracted considerable favorable attention in stores. Since Lion placed emphasis on this detergent's high detergency and superior antibacterial properties, this new product did not cannibalize sales of *TOP NANOX*, and the price of *TOP HYGIA* held firm in retail stores as it maintained its positioning as a high-value-added product. Lion is forecasting that the percentage of the total laundry detergent market accounted for by super-concentrated liquid laundry detergents will rise to 40% in 2015 and is aiming for the No. 1 position.

To increase the market share of improved versions of *TOP NANOX* that were introduced in 2012 and raise the share of both *TOP HYGIA* and *TOP NANOX*, Lion made improvements in store displays and merchandising.

Lion also worked to expand the market for super-concentrated liquid laundry detergents by increasing the number of consumers using super-concentrated detergents on a trial basis.

^{*1} 2012 INTAGE Inc., SRI Survey

^{*2} According to Lion's classification

Living Care Business

Lion's *LOOK* brand lineup of products, including household cleaners for the bathroom and toilet, proposes new living best practices through housecleaning, while they also assist households in realizing comfortable and pleasant living spaces. *LOOK Mame-Pika Toilet Cleaner*,

which was launched in 2011 and makes it easy to use for a “quick wipe” with toilet paper, has won a favorable reputation among consumers. In addition, in 2012, Lion introduced *LOOK Bath Antimold Fogger*, which uses a “fog,” containing silver ions as the delivery agent to kill black mold and its spores throughout the bathroom. This Lion product makes it difficult for mold to begin to grow again, thus making bathroom cleaning much less burdensome. It has now come to be used by many consumers because of the newness of its technology and its laborsaving features, and it has enabled Lion to create a new market segment for products to deal with mold.

In its R&D activities, Lion adopts the theme of focusing on seeking out potential products that are differentiated from others by giving consumers pleasant surprises and favorable impressions. Going forward, Lion will continue its approach of developing products that embody new approaches to make consumer lives more comfortable and pleasant.

Pharmaceutical Business

In the eight market segments of the OTC pharmaceutical business where Lion has a presence, the increase in the number of consumers who go directly to a hospital when they have health issues has brought gradual declines in recent years in the number of OTC products sold and their prices. However, Lion believes that the OTC market will expand in the years ahead because of the aging of Japan’s population and rising healthcare costs. Consumer needs are shifting from treatment to prevention, and, as interest rises in disease prevention in people’s daily lives, the lifestyle practice of purchasing drugs sold on the retail market is expected to become more common, and it is anticipated that the OTC drug market will recover.

For example, in marketing the *Sucrate Ichoyaku* series, one of Lion’s gastrointestinal medicines, the emphasis is on communicating that, even though it is commonly thought that such medicines should be taken after meals, *Sucrate Ichoyaku* has superior effectiveness in alleviating gastritis and upset stomach caused by stress as well as other factors and for stomach-aches, the results of overindulgence, and heartburn and can be taken when the stomach is empty. Through this new marketing pitch, Lion is working to rejuvenate the market for gastrointestinal remedies and expand its market share. In addition, Lion has launched an improved version of its *Stoppa EX Antidiarrheal* (an anti-diarrhetic preparation). Lion is also strengthening its lineup of products such as the *Sucrate Ichoyaku* and *Stoppa* brands to deal with various symptoms of gastrointestinal distress. These products have received the support of consumers because of their effectiveness.

Other

Functional food products and other items, which are sold through the direct-to-consumer channels, include mainstay product *Nice rim essence Lactoferrin*, which showed favorable performance in fiscal 2012. In addition, Lion newly launched *Tomatosu+Milk Peptide Seikatsu*, which is tomato vinegar powder, and *Milk Peptide*,* which are nutrients extracted from milk, in tablet form, which makes it easier for consumers to take. As a result, overall sales increased substantially compared with the corresponding period of the previous fiscal year.

In the field of pet supplies, sales of *Pet Kirei Nioi Wo Toru Suna*, a deodorant cat litter product, held firm, and overall sales were above the previous year.

* *Milk Peptide MKP* developed by Morinaga Milk Industry Co., Ltd.

Industrial Products Operations

	Millions of Yen					
	FY2012	% of segment sales	FY2011	% of segment sales	Change Amount	%
Net sales	¥49,784		¥52,410		¥(2,626)	(5.0)%
Operating income	360	0.7%	429	0.8%	(68)	(16.0)

Industrial Products Business

This business handles surfactants derived from oil and fats, electro-conductive carbon, detergents for institutional use, and other products.

Sales in the surfactants category held strong because of steady demand for this business's products used in the civil engineering construction industry for upgrading building foundations. However, demand for other uses was stagnant and conditions became more competitive. As a consequence, sales were below the level of the previous year.

In the electro-conductive carbon field, sales to overseas customers recovered in the second half of 2012, but, as a result of weak conditions in the domestic electric machinery and semi-conductor sectors, overall sales were below the level of the previous year.

Sales in the detergents for institutional-use business rose above the previous year because demand for hand soaps held firm and sales of alcohol for disinfectant use in institutional kitchens held strong.

As a result, sales in the Industrial Products Business declined 5.0% from the previous year, and operating income decreased 16.0%.

Overseas Business

	Millions of Yen					
	FY2012	% of segment sales	FY2011	% of segment sales	Change Amount	%
Net sales	¥59,173		¥53,757		¥5,416	10.1%
Operating income	1,462	2.5%	790	1.5%	672	85.0

The Group conducts its Overseas Business primarily in Thailand, South Korea, China, and certain other countries. Overseas sales were up 10.1% year on year (while real net sales, which exclude the influence of exchange rate conversions, increased 10.9%). Operating income of this segment increased a substantial 85.0% because of an increase in sales and improvements in competition cost efficiency, including sales promotional expenditures.

Other

	Millions of Yen					
	FY2012	% of segment sales	FY2011	% of segment sales	Change Amount	%
Net sales	¥29,798		¥26,384		¥3,414	12.9%
Operating income	971	3.3%	771	2.9%	199	25.9

Among other business activities, revenues from the construction business were favorable, and, for the segment as a whole, sales rose 12.9%, to ¥29,798 million, and segment operating income was up 25.9%, to ¥971 million.

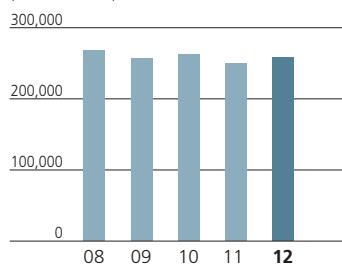
NET INCOME

During fiscal 2012, consolidated operating income decreased 35.4% due to a deterioration in the product mix in the Consumer Products Business in Japan and an increase in sales promotion expenses. Consolidated net income rose to ¥4,235 million (an increase of 3.9%), because of the absence during the fiscal year under review of the extraordinary losses in connection with the Great East Japan Earthquake that were reported in the previous fiscal year. Net return on shareholders' equity (ROE) for fiscal 2012 was 4%, virtually level with the previous year, as retained earnings showed a slight increase. Net income per share was ¥15.77, about the same as in fiscal 2011.

FINANCIAL POSITION

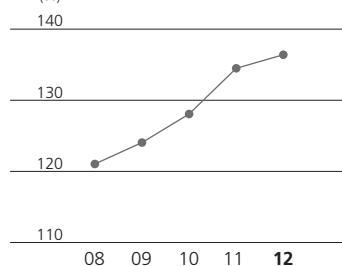
Total Assets

(Millions of Yen)



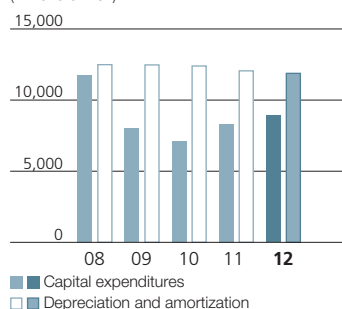
Current Ratio

(%)



Capital Expenditures and Depreciation and Amortization

(Millions of Yen)



Consolidated Financial Status

	FY2012	FY2011	Change
Total assets (millions of yen)	¥257,595	¥249,272	¥8,322
Total net assets (millions of yen)	114,163	105,252	8,911
Shareholders' equity to total assets*1 (%)	42.4%	40.9%	1.5 points
Net assets per share*2 (yen)	407.08	380.11	26.96

*1 Shareholders' equity to total assets = (Net assets – Subscription rights to shares and Minority interests)/Total assets

*2 Subscription rights and minority interests were excluded from calculation of net assets per share.

Total consolidated assets at the end of the fiscal year amounted to ¥257,595 million, ¥8,322 million higher than at the end of the previous fiscal year.

Total consolidated liabilities at the end of the fiscal year were ¥143,431 million, ¥589 million lower than at the end of the previous fiscal year. This was due to declines in long-term loans payable, notes and accounts payable—trade, and other factors. Current liabilities amounted to ¥96,142 million, ¥1,539 million higher than at the end of the previous fiscal year, and the current ratio at year-end was 136.3%.

Total consolidated shareholders' equity rose ¥1,238 million, to ¥107,273 million, as a result of an increase in retained earnings. Net assets increased ¥8,911 million, to ¥114,163 million, and the ratio of shareholders' equity to total assets at fiscal year-end was 42.4%.

CASH FLOWS

Consolidated Cash Flows

	Millions of Yen		
	FY2012	FY2011	Change
Net cash provided by (used in) operating activities	¥18,762	¥11,134	¥7,628
Net cash provided by (used in) investing activities	(9,172)	(8,051)	(1,120)
Net cash provided by (used in) financing activities	(4,923)	(11,897)	6,974
Effect of exchange rate changes on cash and cash equivalents	602	(127)	729
Net increase (decrease) in cash and cash equivalents	5,273	(8,942)	14,215
Cash and cash equivalents at end of the period	40,913	35,640	5,273

Net cash provided by operating activities totaled ¥18,762 million, due to a decline in notes and accounts receivable—trade and other factors.

Net cash used in investing activities amounted to ¥9,172 million, as a result of expenditures for tangible and intangible fixed assets.

Net cash used in financing activities totaled ¥4,923 million, as a result of cash dividends paid, the repayment of long-term loans payable, and other factors.

As a consequence, cash and cash equivalents at the end of fiscal 2012 totaled ¥40,913 million, ¥5,273 million higher than at the end of the previous fiscal year.

OUTLOOK FOR FISCAL 2013

	Millions of Yen			
	FY2013	FY2012	Change	
			Amount	%
Net sales	¥342,000	¥335,171	¥6,828	2.0%
Operating income	10,000	7,213	2,786	38.6
Net income	6,000	4,235	1,764	41.6

In fiscal 2013, although the Japanese economy is expected to show moderate improvement because of the implementation of government economic policy initiatives and changes in foreign currency rates, our understanding is that uncertainties about future conditions will continue, as concerns about instabilities in the world economy will persist.

In the domestic toiletries and OTC drugs industries—the Group's main business domains—the stagnation in consumer spending and growing competition at the retail store level as well as other factors are forecast to continue to create a severe business environment.

Amid this operating environment, the Group will steadily implement its "Vision 2020, Part 1 (V-1 Plan)" to increase its corporate value.

In the Consumer Products Business in Japan, to strengthen profitability, in its core brand lines, the Group will launch new, high-value-added products in the toothpaste, toothbrush, antiperspirant, laundry detergent, and other businesses, while making efficient investments in its marketing activities. In addition, the Group will expand its lineup of products sold through the direct-to-consumer channel and implement other measures aimed at expanding the scope of its business activities. As a result of these initiatives, the outlook is for sales to exceed the level in fiscal 2012.

In the Industrial Products Business, the Group will work to prioritize and strengthen its activities related to high-function products, including electro-conductive carbon and activators derived from the oil and fats fields. In the industrial cleaners and detergents for institutional-use fields, the Group will focus on continuing to develop new customers. As a consequence of these initiatives, the outlook is for sales to exceed the level in fiscal 2012.

In its Overseas Business, the Group will continue to strengthen its marketing activities, focusing especially on oral care and laundry detergent products and work to expand its business activities. In parallel with these activities, the Group will aim to begin operations at the joint venture company it established in the Philippines in fiscal 2012 as quickly as possible. Due to these initiatives, the outlook is for sales to exceed the level in fiscal 2012.

Because of the previously mentioned factors, in fiscal 2013, the Group is forecasting consolidated net sales of ¥342.0 billion (an increase of 2.0%) and operating income of ¥10.0 billion (an increase of 38.6%). Ordinary income is forecast to be ¥11.0 billion (an increase of 28.4%), and the outlook is for net income of ¥6.0 billion (an increase of 41.6%).

The outlook for cash flows in fiscal 2013 is as follows: Among operating cash flows, income before income taxes is forecast to be about ¥10.0 billion, and depreciation and amortization are forecast to amount to ¥12.0 billion. Among cash used in investing activities items, capital expenditures are scheduled to be ¥14.0 billion. Net cash used in financing activities is forecast to be approximately ¥5.0 billion, including cash dividend payments and the repayment of loans payable.

As a consequence, cash and cash equivalents at the end of fiscal 2013 are forecast to be approximately ¥3.0 billion higher than at the end of fiscal 2012.

Note: These forecasts assume the following foreign exchange rates: ¥85 = US\$1 and ¥2.7 = 1 Thai baht.
* Forecasts for fiscal 2013 are as of February 12, 2013.

BASIC POLICY ON THE DISTRIBUTION OF EARNINGS AND CASH DIVIDENDS

The Group considers the return of profits to shareholders, on a continuing basis, as its consolidated earning capacity rises, to be its most-important management issue. As it continues to pay stable dividends, the Group will give comprehensive consideration to, and is considering making, purchases of its own shares from the market, while at the same time giving due attention to the accumulation of retained earnings to finance medium- to long-term growth. Retained earnings will also be allocated to research and development as well as to investment in production facilities and the acquisition of external resources with the objectives of strengthening corporate earnings capacity and preparing the business base for sustained growth.

After taking into consideration Lion's record of cash dividend payments from retained earnings, as well as its dividend payout ratio, Lion's Board of Directors resolved to pay an interim dividend of ¥5 per share (paid on September 5, 2012) and a year-end dividend of ¥5 per share (paid on March 5, 2013).

For dividends in fiscal 2013, under its basic dividend policy, Lion plans to pay interim and year-end dividends of ¥5 per share, thus bringing the total dividends for the full year to ¥10 per share.

BUSINESS RISK INFORMATION

The Lion Group's management performance and financial position may be adversely affected by various risks as business activities are pursued in the future. Of these risks, the following items, in particular, may have a material impact on the decisions of investors.

Forward-looking statements are based on judgments made by the Lion Group as of February 12, 2013. Business risks are not limited to the items listed below.

1. Perceptions of product quality and value

The Lion Group plans, develops, produces, and sells products following management practices that are based on international quality standards while strictly following related laws and regulations, such as Japan's Pharmaceutical Affairs Law, to provide worry-free, safe, convenient, and environmentally conscious products to consumers. In addition, after products have been launched, the Company makes full use of consumers' opinions received through its Customer Service Office to improve its products, packaging, labeling, and other aspects of its products.

In the event of an unforeseen and serious problem with product quality, however, the affected product and all products made by the Lion Group may lose their perceived value. This may adversely affect the Lion Group's management performance and financial position.

2. Changes in raw materials prices

The Lion Group's products use petrochemical and vegetable oil and fats as basic materials. Since the prices of these materials are easily affected by international market trends, the Company has established measures to reduce costs and diversify the range of materials used. However, increases in raw materials prices may adversely affect the Lion Group's management performance and financial position.

3. Exchange rate fluctuations

The Lion Group translates into yen the figures in the financial statements of overseas subsidiaries when preparing its consolidated financial statements. The value of items denominated in foreign currencies may, therefore, be affected by foreign exchange rates when they are converted to yen. The Lion Group takes steps to minimize the risk of increases in raw materials costs by hedging against exchange rate fluctuations. However, short-, medium-, and long-term changes in foreign exchange rates may adversely affect the Lion Group's management performance and financial position.

4. Major lawsuits

In fiscal 2012, Lion was not involved in any lawsuits that might have a significant impact on its business. However, if the Lion Group is found to be liable to pay significant damages in a future lawsuit, this may adversely affect the Lion Group's management performance and financial position.

5. Earthquakes and other natural disasters

In its manufacturing facilities, the Lion Group implements safety measures against earthquakes and other natural disasters. In the event of a major disaster, however, if the Group's production activities are interrupted because of damage to facilities and/or issues related to raw materials procurement and logistics, this may adversely affect the Lion Group's management performance and financial position.

Detailed financial information on Lion Corporation can be accessed at

<http://www.lion.co.jp/en/invest> and

<http://www.lion.co.jp/en/invest/html/inv0301f.htm>

Major Subsidiaries and Affiliates

As of March 28, 2013



Domestic

CONSOLIDATED SUBSIDIARIES

Company	Capital	Voting shares	Business outline
Lion Engineering Co., Ltd. www.lion-eng.co.jp	¥100 million	100.0%	Construction contracting
Lion Chemical Co., Ltd.	¥7,800 million	100.0%	Manufacture and marketing of surfactants, detergents, and raw materials for diverse industrial products
Lion Cordial Support Co., Ltd. www.lion-cordial-s.co.jp	¥20 million	100.0%	Human resources services
Lion Dental Products Co., Ltd. www.lion-dent.com	¥10 million	100.0%	Marketing of oral care products for dentists
Lion Trading Co., Ltd. www.lion-shoji.co.jp	¥240 million	100.0%	Marketing of pet supplies
Lion Hygiene Co., Ltd. www.lionhygiene.co.jp	¥300 million	100.0%	Manufacture and marketing of institutional-use kitchen cleaners, etc.
Lion Packaging Co., Ltd.	¥180 million	100.0%	Manufacture and marketing of household products and insecticide, etc.
Lion Business Service Co., Ltd.	¥490 million	100.0%	Real estate rental, dealing, and brokerage; and management of employee welfare facilities
Lion Field Marketing Co., Ltd.	¥50 million	100.0%	Sales promotion related activities
Lion Logistics Service Company, Ltd.	¥40 million	100.0%	Shipping and warehousing
Ipposha Oil Industries Co., Ltd. www.ipposha.com	¥200 million	100.0%	Manufacture and marketing of surfactants, etc.

EQUITY-METHOD AFFILIATES

Company	Capital	Voting shares	Business outline
Lion Akzo Co., Ltd. www.lionakzo.co.jp	¥1,000 million	50.0%	Manufacture and marketing of fatty acid nitrogen derivatives, etc.
Lion Idemitsu Composites Co., Ltd. www.ilcc.co.jp	¥100 million	50.0%	Manufacture and marketing of special compound resins

PUBLIC INTEREST INCORPORATED FOUNDATION

Name	Activity outline
The Lion Foundation for Dental Health www.lion-dent-health.or.jp	Activities to promote good oral care habits



Overseas

CONSOLIDATED SUBSIDIARIES

Location	Company	Capital	Voting shares
Hong Kong	Lion Corporation (Hong Kong) Ltd. Room 2101, 21F., 101 King's Rd., North Point, Hong Kong	HK\$12,000 thousand	100.0%
Singapore	Lion Corporation (Singapore) Pte. Ltd. 221 Kallang Bahru, Lion Building, Singapore 339349 www.lioncorp.com.sg	S\$9,000 thousand	100.0%
Malaysia	Lion Eco Chemicals Sdn. Bhd. PLO116, Jalan Rumbia 1, Tanjung Langsat Industrial Complex, 81700 Pasir Gudang, Johor, Malaysia	M\$201,000 thousand	100.0%
China	Lion Daily Necessities Chemicals (Qingdao) Co., Ltd. No. 336 Taihangshan Road, Qingdao Economic and Technical Development Zone, Qingdao City, China #266555 www.chinalion.cn	¥723 million	100.0%
South Korea	CJ Lion Corporation 11th Floor, Chungjeong Tower, 464, Chungjeong-ro 3-ga, Seodaemun-gu, Seoul, Korea 120-723 www.cjlion.net	₩5,000,000 thousand	81.0%
Taiwan	Lion Chemical Industry (Taiwan) Co., Ltd. 50, Sec. 3, Chengtai Rd., Wugu Dist., New Taipei City 24843, Taiwan www.lion-corp.com.tw/lioncorp/index1.php	NT\$218,150 thousand	53.8%
Thailand	Lion Corporation (Thailand) Ltd. 666 Rama 3 Rd., Bangpongpan, Yannawa, Bangkok 10120, Thailand www.lion.co.th	BT300,000 thousand	51.0%
Philippines	PEERLESS LION CORPORATION Airstrip St., Silangan Industrial Park, Canlubang, Calamba City, Laguna, Philippines	Peso 600,000 thousand	51.0%

EQUITY-METHOD AFFILIATES

Location	Company	Capital	Voting shares
Malaysia	Southern Lion Sdn. Bhd. 3, Jalan Firma 2, Tebrau Industrial Estate, 81100 Johor Bahru, Johor, Malaysia www.southernlion.com.my	M\$22,000 thousand	50.0%
Indonesia	P.T. Lion Wings Jalan Inspeksi, Cakung Drain Timur No. 1, Jakarta Timur 13910, Indonesia www.lionwings.com	Rp64,062 million	48.0%

Investor Information

As of December 31, 2012

Head office

3-7, Honjo 1-chome, Sumida-ku, Tokyo 130-8644, Japan
Tel: +81-3-3621-6211

Established

October 30, 1891

Number of employees

6,006 (consolidated)
2,442 (non-consolidated)

Paid-in capital

¥34,433,728,970

Common stock

Issued and outstanding: 299,115,346 shares

Number of shareholders

45,975

Stock exchange listing

Tokyo Stock Exchange
(Listed May 1949, Stock Code 4912)

Independent auditors

Ernst & Young ShinNihon LLC

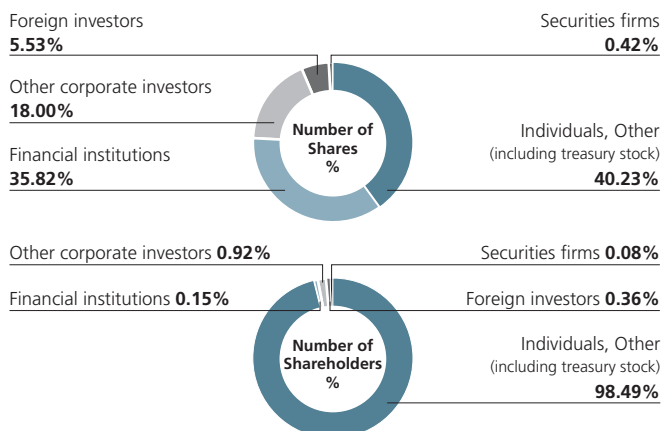
Transfer agent

Mitsubishi UFJ Trust and Banking Corporation

Annual meeting of shareholders

The annual meeting of shareholders of Lion Corporation is normally held in March each year in Tokyo, Japan.

Composition of shareholders

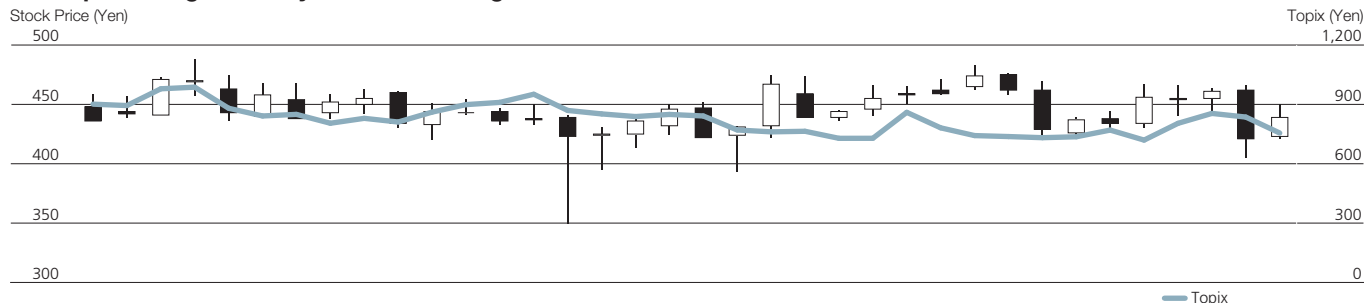


Principal shareholders

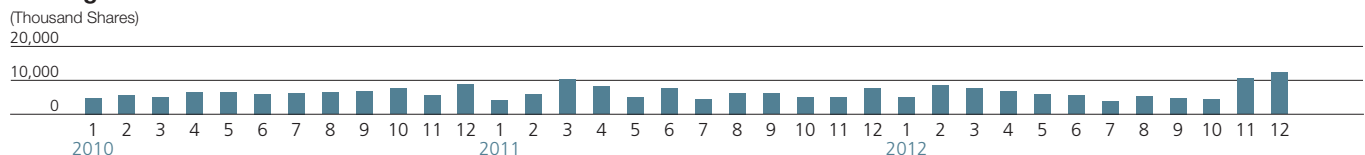
Shareholders	Number of shares owned (Thousands of shares)	Shareholding ratio (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	15,686	5.84
Trust & Custody Services Bank, Ltd., as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,500	5.40
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,109	4.51
The Master Trust Bank of Japan (Trust Account)	6,786	2.52
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,443	2.40
Mitsubishi UFJ Trust and Banking Corporation	6,257	2.33
Mizuho Corporate Bank, Ltd.	5,446	2.02
Meiji Yasuda Life Insurance Company	4,957	1.84
Lion Employee Stock Ownership Plan	4,445	1.65
Mitsubishi Corporation	4,232	1.57

1 Figures for the number of shares owned are rounded down to the nearest thousand shares.
2 The number of shares of treasury stock is subtracted from the total number of shares issued to determine the number of shares (268,401,733) used in calculating the shareholding ratios. The shareholding ratios are rounded down to the nearest one-hundredth of a percent (two decimal places).

Stock price range on Tokyo Stock Exchange



Trading volume

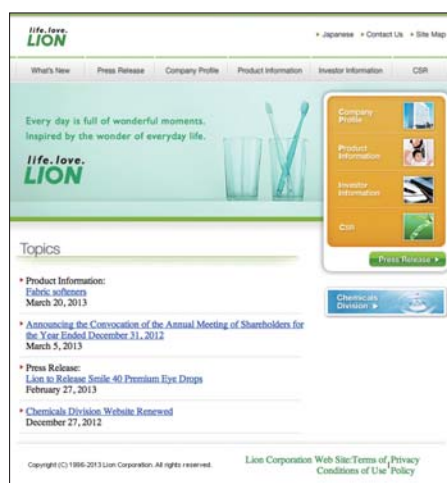


IR Guide

In order to ensure that all shareholders, including those overseas, have fair and timely access to information about the Company, Lion is taking steps to enhance the provision of information through its website.

Corporate website: www.lion.co.jp/en/

This website offers important management and financial information, as well as timely press releases on a wide range of topics, such as new products. In addition, the website provides a variety of information to ensure a better understanding of Lion and its history, such as detailed product information that could not be included in the annual report.



Investor information website: www.lion.co.jp/en/invest/

This website provides not only the timely release of important management decisions and financial information but also historical financial data. Moreover, the website also provides a full range of qualitative information, such as messages from the president. Requests for printed versions of annual reports can also be made through this website. (To access the detailed financial statements, go to <http://www.lion.co.jp/en/invest/html/inv0301htm>)



CSR website: www.lion.co.jp/en/csr/

Lion's annual CSR report provides detailed information about the Company's CSR activities, which have an extremely important position in Lion's corporate activities. An abridged translation of that report is provided on this website. Also, the website outlines the history of Lion's CSR activities, which began at a very early stage after the Company's founding.

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LION



Lion Corporation believes that caring for Japan's forests and making more use of timber from its forestlands are important. We are, therefore, supporting the Forestry Agency's "Kizukai Undo" (Use Wood Movement).

